Central Power Purchasing Agency Guarantee Limited

A Company of Government of Pakistan

No. CPPA-G/2018/CEO/181 February .13.., 2018

The Registrar NEPRA
NEPRA Tower Attaturk Avenue (East), Sector G-5/1
Islamabad.

SUBJECT: PETITION FOR THE DETERMINATION OF MARKET OPERATION FEE FOR THE FINANCIAL YEAR 2017-18.

Central Power Purchasing Agency (Guarantee) Limited is a company functioning as the market operator to carry out market operations in accordance with the National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rule, 2015 (the "Market Rules"), since June 2015. Under the Rule 5 of the Market Rules CPPA-G is deemed to be authorized and registered as the market operator to commence and conduct the market function for a period of two years.

2. This deemed authorization/ registration of CPPA-G was initially for a period of two year from the commencement of Market Rules (June 2015-June 2017) and during this period it was required to apply for registration as Market Operator in accordance with the provision of the Market Rules. CPPA-G vide its letter no. CPPA-G/2016/CEO/SMD/8486-87 dated April 12, 2017, filed the Registration Application before NEPRA to register as the Market Operator. The Authority considered the matter and admitted the same for further processing. CPPA-G authorization to act as market operator for period of two year was expired on June-17 and the Authority vide its letter no. NEPRA/R/LAG-30/CPPAG-2017-/302 dated: January 3, 2018 extend the status of CPPA-G as "deemed authorized/registered" market operator till June-18.

3. As the matter was pending before the Authority for finalization of status of CPPA-G therefore, the CPPA-G was not able to file its Market Operation Fee for FY 2017-18. Now keeping in view, the extension of CPPA-G status as market operator, enclosed please find the Market Operation Fee for FY 2017-18. The Authority is requested for immediate application of the Market Operations Fee under Sub-Rule 7 of Rule 4 of the NEPRA (Tariff Standards and Procedures) Rules, 1998.

4. It is further submitted that the Authority has not yet finalized the mechanism for determination of petition filing fee. The instant petition being filed without the fee and the same would be paid once it is decided by the Authority.

(Abid Latif Lodhi)
Chief Executive Officer

Enclosed please find;

1. *Certified True Copy of Board Resolution.*
2. *Affidavit.*
3. *Market Operation Fee 2017-18.*

For information & n/a
— DRO/DG-I
Copy to:
13.02.18
— SA(Tech)
— SAT-I
— DG(M&E) — ADG(Lic)
— LA(Lic) — MIF
cc: Chairman
VC/M(M&E)
M(T)
M(Lic) M(CA)
consultant (lic)

Registrar
Dy No. 1545
Dated 13-02-18

010870

500
Rupees

٥٠٠

AFFIDAVIT

I, Abid Latif Lodhi, Chief Executive Officer, Central Power Purchasing Agency (Guarantee) Limited being duly authorized representative / attorney of Central Power Purchasing Agency (Guarantee) Limited, hereby solemnly affirm and declare that the contents of the accompanying petition/application including all supporting documents are true and correct to the best of my knowledge and belief and that nothing has been concealed. I also affirm that all further documentation and information to be provided by me in connection with the accompanying petition shall be true to the best of my knowledge and belief.

DEPONENT

Chief Executive Office
CPPA-G

ATTESTED
S. Nazir Hussain Zaidi
NOTARY PUBLIC
ISLAMABAD
Advocate High Court

22 AUG 2017

PETITION FOR DETERMINATION OF MARKET OPERATION FEE

FINANCIAL YEAR 2017-18

PETITION FOR MARKET OPERATION FEE
UNDER RULE 3 AND SUB-RULE 7 OF RULE 4 OF NEPRA
(TARIFF STANDARDS AND PROCEDURES) RULES, 1998

Before

THE NATIONAL ELECTRIC POWER REGULATORY AUTHORITY (NEPRA) FOR DETERMINATION OF MARKET OPERATION FEE
FOR FINANCIAL YEAR 2017-18

DATED: 13th February 2018

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED (CPPA-G)
ADDRESS: NEECA Building G-5/2, Islamabad.
Phone: 051-9213616
Fax: 051-9213617

CONTENTS

1. PETITIONER'S INFORMATION

1.1. NAME

Central Power Purchasing Agency (Guarantee) Limited ("CPPA-G").

1.2. ADDRESS

NEECA Building G-5/2, Islamabad.

1.3. COMPANY DETAILS

Central Power Purchasing Agency (Guarantee) Limited CPPA-G (the "Petitioner" or the "Company") is a company incorporated under the Companies Ordinance 1984 (XLVII of 1984) and granted a Corporate Universal Identification No. 0068608 by the Security Exchange Commission of Pakistan in the year 2009.

Since June 2015, the petitioner is acting as Market Operator as in accordance with Rule-5 of the NEPRA Market Operator (Registration, Standards and Procedure) Rules, 2015 (the "Market Rules").

1.4. CPPA'S REGISTRATION AS MARKET OPERATOR

Rule-5 (1) of the NEPRA Market Operator (Registration, Standards and Procedure) Rules, 2015 (the "Market Rules") state that "Notwithstanding anything contained in these rules, for a period of two years from the commencement of these rules, CPPA-G shall be deemed to be authorized and registered as the Market Operator under these rules to commence and conduct the market operations and during this period shall apply for registration in accordance with the provisions of these rules".

In compliance to Rule-3, Sub-Rule (2) and Rule-5(1) of the Market Rules, CPPA-G with its address at NEECA Building G-5/2, Islamabad has filed Registration Application vide letter no CPPA-G/2016/CEO/SMD/8486-87 dated April 12, 2017 before NEPRA to register it as Market Operator. The NEPRA vide letter # NEPRA/R/LAG-30/CPPAG-2017/302 dated January 03, 2018 decided to extend the status of CPPA-G as "deemed authorized /registered" market operator till June 2018 or final decision of the Authority in the matter whichever is earlier. The extract of the Authority decision is reproduced hereunder;

> "The Authority through this interim order has decided to extend the status of CPPA-G as "deemed/registered" market operator till June 2018 or final decision of the Authority in the matter whichever is earlier. Further, all functions carried out by CPPA-G as a market operator during the period from June 2017 till date shall be considered valid under the status of deemed authorized/registered market operator"

1.5. THE BOARD'S AUTHORIZATION

Board of Directors (BoD) of CPPA-G in its 28th meeting held on 20th June 2017 duly authorized the Chief Executive Officer along with other officers of CPPA-G to sign, file and represent this petition before the Authority. The extract of the resolution is attached as **Annex-1.**

1.6. COMPANY REPRESENTATIVES

The following officers of CPPA-G have been authorized by the Board of CPPA-G to sign, file and represent this petition and to submit any additional documents/information to the Authority:

- Mr. Abid Latif Lodhi, Chief Executive Officer
- Mr. Rihan Akhtar, Chief Financial Officer
- Mr. Majid Khan, Chief Legal Officer
- Mr. Iqbal Mehdi, Chief Technical Officer

2. Compliance of the Directios

The Authority in the Market Operation Fee determination dated January 05, 2017 has passed certain directions. The issue wise compliance of the directions is given below;

#	Directions	Compliance Status
1.	Share Demand Forecasting Model before submission of its next tariff petition.	Two demand forecasts models have been prepared: i. Power Market Survey (PMS): This model is used for medium-term forecast. By getting data from DISCOs, facilitating them and training them, this model has been completed. Ten individual reports by DISCOs and one consolidated report has been prepared and submitted before the Regulator for obtaining regulatory approval through this office letter number CPPA-G/2017/CEO/SMD/8876-91 Dated August 22nd, 2017 (Annex-A). ii. Econometric (Regression Based): This model is used for long-term forecasts based on econometric indices. The first draft of the report was completed with the assistance of CPPA-G consultant. The report has been reviewed by independent consultants and shall be submitted by NTDC shortly. iii. In-order to institutionalize the forecasting function in respective entities, Market

		Implementation Monitoring Group (MIMG)[1] has prepared a plan that will address the people, process, and technology and equipment aspect. This plan has been consulted with DISCOs, NTDCL, NEPRA and K-Electric through a workshop on Energy and Demand Forecasting. MIMG has incorporated the feedback by the participants in the plan. The implementation of this plan will enable the DISCOs (for medium term) and NTDC (for long term) to run and sustain this important function.
2.	To share Basket Price Assessment Model and Market Simulation Model before submission of its next tariff petition.	The simplified basket price model and market simulation model has been prepared. However, the model is being further optimized taking into account some constraints/factors such as transmission network, the hydrology etc. CPPA-G has evaluated different Market Modeling tool options and is in the process of initiating the procurement.
3.	Quarterly Progress report on the PPA Bifurcation	In the context of competitive power market development, three prompt strategies have been adopted in this regard. • The Tripartite Agreement already approved by ECC will be utilized for new power procurement until mid of 2018. • The bi-furcated PPA draft has been prepared and is under internal review. Once approved by ECC it is anticipated to be utilized for new generation contracts that may happen between mid of 2018 to June 2020 i.e. the Commercial Operations Date (COD) of the Competitive Trading Bilateral Contract Market (CTBCM).

[1] The MIMG is led by Ministry of Energy (Power Division) & CPPA-G is part of its executive function. Demand forecasting a part from being DISCO's responsibility is a market issue as well. The group is formed to facilitate the actions identified for development of wholesale competitive market

		• CPPA with the assistance of ADB's consultants, during this transition time period to CTBCM will also prepare and get approved the Market Based bi-furcated PPAs that will come in action from June 2020 i.e. with COD of CTBCM.
4.	Quarterly Progress report on HR Development	HR Development Report was submitted to NEPRA vide letter No. CPPA-G/2017/HR&A/3421-22 dated: July 28th, 2017 (Annex-B).
5.	Quarterly Progress report on Market Development	Market Development Report was submitted to NEPRA vide letter No. CPPA-G/2017/CEO/SMD/9097 dated: November 23, 2017 also two news-letter were submitted on Market Development (Annex-C).
6.	Quarterly Progress report on the ERP Project	The report has been submitted to the Authority vide news-letter (Annex-D).
7.	CPPA-G and NTDCL required to enter into a formal arrangement wherein a mechanism for calculation of impact of excess losses over & above the Authority's allowed limit be clearly stipulated. Sharing of above mentioned agreement between CPPA-G & NTDCL with NEPRA	Keeping in view the Authority direction the matter has been taken up with NTDCL vide letter No.CEO/CPPA(G)L/2017/Admin/8776-79. The copy of the letter, along with draft agreement, between CPPA-G and NTDCL on *"Excess Transmission losses incurred by NTDCL over and above the targets set by the Authority"* is attached as Annex-E.
8.	Comprehensive report on the issue of circular debt on quarterly basis, highlighting the reasons thereof and the party wise breakup of amount payable and receivables in this regard.	The circular debt report was communicated to NEPRA vide this office letter number CPPA-G/2017/CFO/8784-85 dated: August 3rd 2017. (Annex-F).

9.	CPPA-G is required to prepare and get approved a Competitive Trading Bilateral Contract Market (CTBCM) Plan from Authority by June 2017.	CTBCM Plan (including high-level market model) has been prepared by following a thorough consultative process and capacity building interventions. On direction of CPPA-G Board, a special committee including NEPRA was formed to review the CTBCM model and plan before it can be submitted to Economic Coordination Committee (ECC) through Ministry of Energy for obtaining necessary approvals. The committee has reviewed the model and road map and the same is now being forwarded to ECC to initiate the approval process
10.	CPPA-G is directed to submit the application for registration as market operator as soon as possible.	Registration application has been submitted before the Authority vide this office letter number CPPA-G/2016/CEO/SMD/ 8486-87. Dated April 12, 2017. (Annex-G).
11.	CPPA-G is directed to submit the Annual Report as soon as possible. The Authority also directs to include complete details of payable and receivables of the company.	The annual report of FY 2015-16 and FY 2016-17 is in finalization process. However, the initialed copy of the accounts for FY 2015, 2016 & 2017 is attached as Annex-H for information of the Authority.
12.	CPPA-G is directed to strictly follow the PPRA and other applicable rules while purchasing the Furniture & Fixtures and other office equipment.	In this regard it is delineated to the Authority that the CPPA-G, while procurement of furniture & fixtures and other equipment thoroughly following the PPRA rules.
13.	CPPA-G is directed to adhere to the given timelines in terms of transition from current Single Buyer Model to competitive market operations.	A comprehensive CTBCM Plan and it's monitoring and implementation mechanism has been prepared and is part of the CTBCM Plan / Market Model. The mechanism clearly depicts actions, roles and responsibilities by entities and a central mechanism for monitoring, facilitation and coordination so that the timelines are followed.

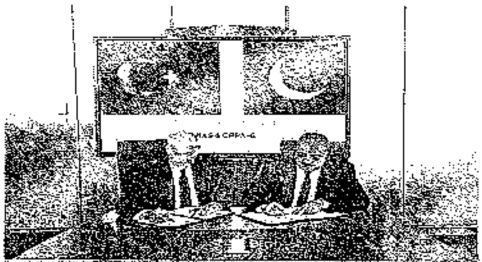
		On direction of CPPA-G Board in July 2017, a special committee including NEPRA was formed to review the CTBCM model and plan before it can be submitted to Economic Coordination Committee (ECC) through Ministry of Energy for obtaining necessary approvals. The committee has reviewed the model and road map and the same is now being forwarded to ECC to initiate the approval process.

3. FY2017: An extremely productive year

During FY2017 CPPA-G made numerous achievements, salient are as under:

3.1.1. STRATEGIC PARTNERSHIP WITH EXIST

By entering into a Memorandum of Understanding (MoU) with EXIST (the Market Operator/Power Exchange of Turkey), CPPA-G has built a Strategic Partnership to collaborate and learn from transition experience of Turkish Power Market.



CEO CPPA CEO EXIST Signing the MoU

3.1.2. MEMBERSHIP OF APEX

Association of Power Exchanges (APEx) is an international association formed to facilitate development and communication of ideas and practices in the operation of global competitive electricity markets. CPPA-G application for full-time membership of Apex as a Market Operator of Pakistan was approved by Apex BOD in early March 2017.By becoming the member of the association, one of the primary intentions of CPPA is to get access to the Apex platform to exchange knowledge and experiences and contribute more effectively to the development of Power Market in Pakistan in years to come.

APEx Association of Power Exchanges

3.1.3. PREPARATION OF CTBCM PLAN

Based on the given mandate, in mid of 2016 CPPA-G started its market model development efforts by forming an internal team and then hiring market development consultants (ADB's funded MRC Consultant). A strategy was devised for the preparation of the future market model and later the transition plan (CTBCM Plan). As per the strategy the initiative was divided in three phases. The Phase-I (June 2016 to June 2017) included (a) Capacity Building of main power sector entities, (b) High-level Market Model Design and (c) preparation of the draft Competitive Trading Bilateral Contract Market (CTBCM) Plan.

This phase has been completed by following a through consultative process and was submitted before CPPA-G in June 2017 for onward submission to Competent Authority for obtaining approval. Phase-II (the detailed design phase) has been initiated to commence working on some basic activities that will form the basis of the market design tasks. The Phase-III will be implementation.

During Phase-I, five training sessions (including one learning exchange to study Turkish power market) were carried out in which key market entities i.e. MoE, NEPRA, NTDCL, CPPA-G and DISCOs participated. The objective of enhancing the capacity of the power sector core team that will participate in the future market design was successfully achieved.

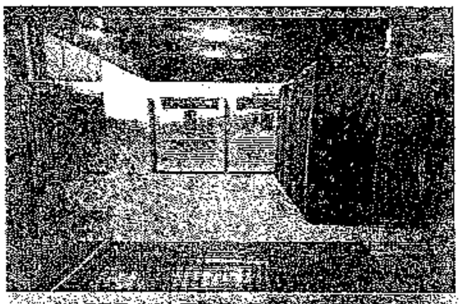
3.1.4. MAKRET CAPACITY BUILDING

Series of capacity building sessions on market development were conducted by engaging world class resources. Three intense sessions of trainings on market development were delivered for participants from NEPRA, NTDCL and NPCC, MoE and CPPA-G during November and December 2016. The goal was to train the main stakeholders before the market design being to ensure valuable contribution in the design process.

Furthermore, delegation participating in this study visit represents the major power sector stakeholders responsible for driving the market development initiative in Pakistan. This visit, with the peer institutions in the Turkish power sector, was intended to provide the participants with real context and dimensions of the Turkish power sector reform - the current functioning of the power market, stakeholders' experience in the changing market, and the direction that the sector has followed thus far, and may be headed – with the hope of being able to transfer some of those lessons back to the process underway in Pakistan.

Moreover, in energy and demand forecasting area, CPPA-G has prepared a plan that will help to regularize electricity demand forecasting in the country. CPPA-G has also carried out capacity building of DISCOs so that they can produce these forecasts independently and own the forecasts, which is very important for power market transition in the Country.

3.1.5. ERP IMPLEMENTATION


CPPA-G ERP Data Center

The implementation of ERP system was in well advanced stage by June 2017. Apart from the ERP application implementation, the project has four major allied sub-components that includes (a) the creation of Data Center has been completed including room construction, fire protection, environmental control, cooling ,cabling system, security protocol etc. (b) the installation of server and network equipment has been completed in February 2017 including Servers, SAN storage, core switches, routers, firewalls, racks, virtualization, distribution switches etc. (c) the LAN implementation has also been completed at CPPA-G head office and branch office at ENERCON and (d) the WAN implementation has also been completed between the head office and branch office.

The disaster recovery site at CPPA-G head office has also been completed. The complete ERP system was Go-live on October 2017.

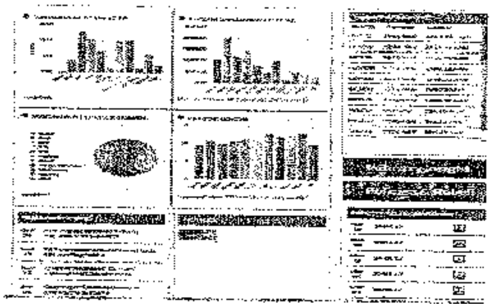
3.1.6. SYSTEM FOR SETTLEMENT PROJECT (SFS)

As a settlement center and future wholesale electricity market operator, CPPA-G requires a technically efficient System for Settlement (SFS), which consists of among other components, the computer-based hardware and software system. For CPPA-G, SFS will be an accounting based computer model that will produce reports for the conduct of billing, invoicing, collection, dispersal and dispute resolution functions that are required for efficient commercial settlement of wholesale commercial power and electricity transaction throughout Pakistan's wholesale energy market.

The implementation of SFS project was started during FY2017 and will be completed in FY2018. The development of SFS by CPPA-G team was also assessed by the experts of Asian Development Bank (ADB). The ADB recommended CPPA-G to continue to build its own SFS rather than procuring a solution from the market and then trying to customize it. By following adopted approach, CPPA-G will be able to develop capacity (in-house and within the local IT market) to modify this custom built SFS application with evolving competitive power market structure. The same approach has been adopted by various market operators across the globe, including EXIST of Turkey.

3.1.7. REVAMPED WEBSITE

The website of CPPA-G has been revamped and launched with wealth of information for market participants. The new features on the website and market information is one step further towards a transparent market operations.



An Excerpt from revamped website
www.cppa.gov.pk

3.1.8. BUILDING CPPA-G HR CAPACITY

During FY2017, the organization has gone through a number of changes. Departments have been revamped and some new units like ERP, Strategy and Market Development have been created that are not only staffed but delivering on full swing. In addition the preparation and approval of HR Manual was also a landmark achievement that helped the company to attract, recruit, maintain and retain high quality Human Resource from the market. Vacant positions of different cadres of CPPA-G were filled in by the suitable candidates possessing qualification and experience effectively and transparently through open market competition. Director General HR, Chief Information Officer, Manager (IT), 04. Dy. Manager (Technical), 04 Dy. Manager (Finance), Network Administrator, Data base Administrator ,Technician (ERP), 28 MTOs and 52 employees for staff level were recruited and pending vacant posts have already been advertised and in pipeline of recruitment process.

Further, Gratuity Fund and Contributory Provident Fund (CPF) have been established as per the requirement of the HR manual during the FY2015-16 and the process of mandatory Group Health Insurance under the HR manual of CPPA-G has been completed.

The mix of young and enthusiastic new hires from the market have brought a new energy in the organization and set CPPA-G on the course to become a world class market operator.

3.1.9. SPACE ALLOCATION IN THE CAPITAL

A building of CPPA-G has now been established and is fully functional in the hub of Islamabad. Earlier, the company faced serious issues when the major part of the organization operated from Lahore and the core Senior Management from Islamabad. The operations of the entire company in the Federal Capital have brought significant improvements in company's operations.

The honorable Secretary Water & Power during Inauguration of CPPA-G

3.1.10. INCOME TAX AND SALES TAX REGISTRATION

Formerly, CPPA-G being the sub-department of NTDCL did not have any separate account for income and sales tax of the organization. Therefore, after the establishment of CPPA-G, it has registered for its income tax and sales tax with Federal Board of Revenue (FBR) as an independent entity.

3.1.11. SUBMISSION OF MARKET FEE AND ITS APPROVAL

CPPA-G prepared and submitted the Market Fee with NEPRA as an Electricity Marker Operator. After the due course of hearings and adhering to feedback by the Regulator, the Market Fee was approved by the Regulator in January 2017.

CPPA-G's Market Fee Hearing Session chaired by Chairman NEPRA

3.1.12. AUDITS

The audits of the dormant period of CPPA-G were outstanding which were completed in the FY 2015-16. The audits from FY 2008-09 to FY 2013-14 were conducted and financial statements were completed.

3.1.13. ANNUAL GENERAL MEETINGS

Six (6) Annual General Meetings (AGMs) were pending which were conducted during the last year and the audit accounts were approved.

3.1.14. CORPORATE AND LEGAL AFFAIRS

In this regard CPPA-G implemented the decisions of CPPA-G Board, improved the Compliance to Public Sector Companies Corporate Governance Rules, 2013, followed-up on the arbitration proceedings at London Court of International Arbitration (LCIA) and provide necessary inputs to the Counsel on the cases, registered CPPA-G with Federal Board of Revenue (FBR) for Income Tax and

Sales Tax, initiated revision of Security package for new EPA/PPA i.e. (a) Tripartite Agreement (approved by ECC) and (b) Bifurcated PPA (Commercial Agreement & Connection Agreement).

3.1.15. CPPA-G FOR THE SECTOR

During this productive year CPPA-G has also provided its contribution towards overall development and improvement of the regulatory and policy framework. This includes (a) issuance of Guidelines for Power Procurement by CPPA-G under Legal and Regulatory Framework, (b) furnishing comprehensive proposal pertaining to Integrated Energy Plan (IEP) to USAID accompanied with proposed operational framework to ensure sustainability as well as accuracy with in regime of existing operations of Power Sector, (c) advocating Competitive Bidding regime in NEPRA for Wind and Solar Power Plants Suo- Moto hearing by NEPRA and (e) jointly developed forecasting mechanism along with concomitant rebate on deviations with AEDB for Wind Power Plants.

CPPA-G also actively participated in Grid Code Review Panel Meetings and provided its submissions to the same pertaining to TOR for Grid Code Amendment, Addendum to Grid Code of Wind Power for incorporation of ZVRT, HVRT, and Forecasting Mechanism etc. Moreover, comprehensive submission for the development of Energy Sector Carbon Impact Modeling tool to enable its hand shaking with existing operations of power sector as well as to enable long term carbon emissions projections were also made. Furthermore, CPPA-G also provided its comments to NEPRA on Regulation (Net Metering, Competitive Bidding etc.), Tariff, Guidelines and MYT of K-Electric.

3.1.16. POWER PROCUREMENT ON BEHALF OF DISCOS

Signing of following agreements for power procurement on behalf of DISCO pursuant to PPAA was another major milestone achieved:

- Five wind power plants EPA & five Direct Agreements (DA) having cumulative capacity of 244.77 MW
- Two EPA & one DA of Solar Power Plant having cumulative capacity of 30 MW
- Three EPA of Bagasse based co-generation power plants with cumulative capacity of 78 MW
- Six PPA of thermal power plants having cumulative capacity of 4285 MW

3.2. POWER MARKET TRANSITION FACILITATION

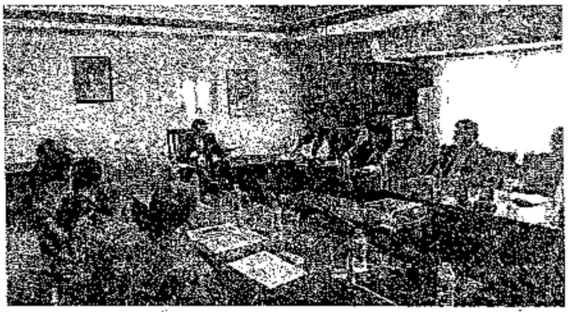
3.2.1. MARKET MODEL AND CTBCM PLAN

As discussed earlier, the Phase-1 (Basic Market Design) initiated since August 2016 got completed in June of 2017 with submission of the high-level market model and CTBCM plan (the roadmap) to the Board of CPPA-G for onward submission to the competent Authority for obtaining approval. This phase also entailed training sessions and consultative workshops for power sector entities professionals to ensure optimal participation in plan development. The Phase-2 and Phase-3 will be detailed market design and implementation respectively and are appropriately timed to ensure that the power market transition timelines as envisaged under Rule 2.1.(f)-Schedule-1 of Market Rules are met.

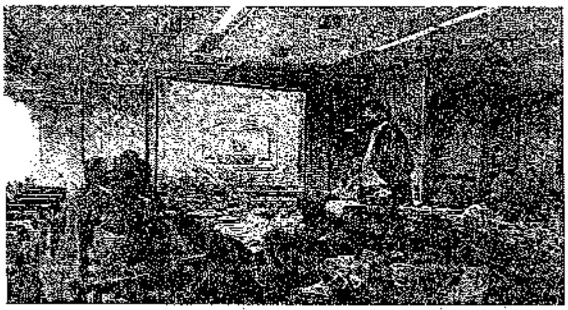
3.2.2. CONSULTATIONS

The goal is smooth transition of power market and consultation is the tool to achieve it. At CPPA-G we not only believe, but have practiced the participative and consultative process during the Phase-1 (Initial Market Model Design) of power market transition. The inclusive strategy entailed, training the major stakeholders on market development and propose the market model by ensuring adequate consultation.

The market model proposed by ADB consultants has been discussed with various stakeholders including NTDCL, NPCC, AEDB and DISCOs. Below are the snapshots of a consultative workshop on proposed power market transition model with participants from FESCO, LESCO and PESCO.



CEO CPPA-G explaining the highlights of the proposed model to DISCOs participants



Manager Strategy and Market Development answering a query of a DISCO participant

Market Model Workshop: CEO CPPA-G presenting Completion Certificate to delegate from NERPA

Market Model Workshop: Participants from K-Electric, NEPRA, DISCOs and NTDC participated

3.2.3. ENERGY AND DEMAND FORECASTING TRANSITION PLAN

CPPA-G procures power on behalf of all government owned XWDISCOs. The energy and demand forecast is an essential input to inform future power procurement for CPPA-G.

The energy and demand forecasts are produced using two methods (i) bottom-up medium-term forecast (using the Power Market Survey (PMS) Methodology) and (ii) top-down long-term forecast using the econometric model.

The long- term forecast is required for Generation and transmission planning where as a medium term forecast is required for sub-station and 11 KV feeders planning at XWDISCO level Moreover, both forecasts are counter-check of each other i.e. also used to check whether the error lies in the permissible range.

In this connection CPPA-G (in the transition period) is not only processing the data provided by XWDISCOs using a software tool to produce the PMS based forecast but also working on centrally preparing the long-term forecast. The PMS based forecast was completed and was forwarded to the Authority for obtaining approval.

The forecasts products are (a) energy sale, (b) generation requirement and (c) peak demand, which are then consolidated to form the country level forecast.

Demand ownership and capacity obligation is one of the most important features the new proposed power market model will have. Thus the Demand should prepare the forecasts and shall be accountable to meet it, as already laid down in Distribution Code section DPC 5. Also, as per Grid Code PC 4.1, NTDC is required to prepare a long-term forecast.

Therefore, CPPA-G has prepared a high-level transition plan that address people, process and technology aspects, when implemented in true letter and spirit will enable the DISCOs in-particular to produce the forecasts on their own.

3.3. ORGANIZATIONAL RESTRUCTURING:

The organizational restructuring has two phases; (a) restructuring from HR perspective and alignment with current business needs and (b) restructuring from future business perspective i.e. to align the company with proposed new electricity wholesale competitive market. Both phases have been explained in the following paragraphs:

3.3.1. PHASE-I: HR PERSPECTIVE - ALIGNMENT WITH CURRENT BUSINESS NEEDS

Central Power Purchasing Agency Guarantee Ltd. (CPPA-G), consisting of Ex-CPPA and WPPO, commenced its operations on June 04, 2015. During FY 2017, the organization has gone through a number of changes. Departments have been revamped and some new units like ERP, Strategy and Market Development have been created that are not only staffed but delivering on full swing. In addition the preparation and approval of HR Manual was also a landmark achievement that helped the company to attract, recruit, maintain and retain high quality Human Resource from the market.

The mix of young and enthusiastic new hires from the market has brought a new energy in the organization. During Phase-I of organizational restructuring, the strategic restructuring process involved mainly (a) the preparation and approval of HR Manual (completed), (b) transition of Lahore based employees to Islamabad and revamping the office space. The operations of the entire company in the Federal Capital have brought significant improvements in company's operations., (completed)

(c) staffing of key strategic C-level positions duly approved by the Board of Directors on contract basis (completed), (d) inducting management trainees to build capacity for the future (completed) and (e) inducting functional/technical consultants to help CPPA-G discharge its essential roles and responsibilities as laid down in the Market Rule and the Commercial Code (completed).

3.3.2. PHASE-II: FUTURE BUSINESS PERSPECTIVE

As per direction by ECC and NEPRA under the market rules, CPPA-G with assistance from ADB consultants by following a thorough consultative process has proposed a Competitive Trading Bilateral Contract Market (CTBCM) market model and CTBCM roadmap / plan. During June 2017, the model and the plan was presented before the CPPA-G for its consideration and onward submission to the competent forum to approve it.

In the CTBCM roadmap, there have been seventeen group action proposed against all market participants and service providers, amongst which one is the restructuring of CPPA-G to avoid the internal conflicts of interests. In order to avoid conflict of interest and ensure transparency, CPPA-G will require a significant restructuring of the organization, the business processes and the supporting IT systems. To ensure a smooth transition into the CTBCM environment, the CPPA G will restructure itself into two separate business units representing the Market Operator (MO) and Special Purpose Supplier (SPS). Another independent service provider, the Independent Auctions Administrator (IAA) has also been proposed to be created.

The Market Operator will have the responsibility of administering all market functions and transactions in the CBCTM, the SPS will be a transient organization designed to manage legacy contracts which cannot easily be transferred or assigned to successor entities.

The IAA is anticipated to organize and manage the introduction of new capacity into the electricity system. The IAA, while important, is less urgent than the other two entities as considerable new generation is already under contract.

The strategy proposed is to initially operationally separate CPPA-G into these two entities and then go for legal separation. Once created, while still reporting to the CEO CPPA G the new units will work independently of each other, and once both of these units are capable of performing individually, these units will be legally separated. The proposal of restructuring was submitted to the Board of CPPA-G and was approved. In anticipation of the approval of the market model and the plan, CPPA-G with its consultants have already initiated the detailed design under this action. The design of the market model calls for the transformation of the current CPPA G into two separate entities.

4. GROUNDS AND FACTS FORMING BASIS OF THIS PETITION

i. In order to meet with the expenses for discharging the functions and plans mentioned above, the petitioner requires revenue to be approved by the Authority in terms of clause (e) of subsection 2 of Section 7 read with clause (j) of subsection 2 of Section 7 of the NEPRA Act and chapter 11 of the Commercial Code.

ii. Chapter 11 of the Commercial Code deals with the Market Operation Fee and clause 11.1.1 provides that the existing cost associated with CPPA of NTDC shall be separated from the Use of System Charge (the "UoSC") of NTDC. In this manner, the UoSC of NTDC, already being paid by the ex-WAPDA DISCOs, shall be reduced by the amount corresponding to the expenses of CPPA-G.

iii. As per the broad guidelines laid down in Chapter 11 of the Commercial Code, the general heads of costs associated with the operations of the petitioner have been provided in clause 11.1.2.

iv. In terms of these broad guidelines the petitioner is also permitted to include any cost estimate for future capital expenditure required for compliance with current and future provisions contained in the Commercial Code.

v. As such the total revenue requirement of the petitioner shall comprise of the existing cost separated from the UoSC of NTDCL, additional operating cost in view of present operations independent of NTDCL and the Capital cost required for effective operations of CPPA-G for compliance with present and future requirements of the Market Rules and Commercial Code shall form the Market Operation Fee of the petitioner.

vi. These guidelines also provide that the formula for calculating the Market Operation Fee shall be similar to the formula of calculating the UoSC i.e. dividing total determined cost by peak demand of ex-WAPDA DISCOs.

vii. Rule-9 (1) (d) of the NEPRA Market Operator (Registration, Standards and Procedure) Rules, 2015 (the "Market Rules") state that "In addition to the obligations in the applicable documents, each market participant shall have the obligation to pay the market operation fee as per Commercial Code and such other charges as specified by the Authority."

viii. Rule 7 (4) of the NEPRA (Tariff Standards and Procedures) Rules, 1998 state that "The Authority may, while admitting a petition, allow the immediate application of the proposed tariff subject to an order for refund for the protection of consumers, or for satisfactory security to be provided for refund, while the proceedings are pending before the Authority"

In accordance with the revenue requirement of the company, CPPA-G is hereby submitting a petition for Market Operation Fee for FY 2017-18. This petition is filed in line with Rule 3 and Sub-Rule 7 of the Tariff Standards & Procedure Rules-1998 (Rules) and in line with the Chapter 11 of the approved Commercial Code by Authority vide letter no. CPPA-G/2016/CEO/1963.

5. REVENUE REQUIREMENTS OF CPPA-G:

CPPA-G revenue requirement includes General Establishment Cost (Pay & Allowances, Training & Capacity Building, Outsource Services & Consultancy), Administration Cost, Insurance, Finance Charges, Repair & Maintenance and Capital Expenditure (Capex) etc.

The head wise breakup of the revenue requirement for FY 207-18 along with comparison of Authority allowed revenue requirement for FY 2016-17 is given below;

Mln. Rs.

Description	FY 2017-18 Requested
General Establishment Costs	752.07
Administrative Costs	82.10
Repair & Maintenance	19.12
Insurance	0.18
Depreciation	-
Finance Charges	2.40
Total Revenue Requirement	855.87
CAPEX	25.85
Revenue Requirement + CAPEX	881.72
Avg. MDI	20,602
Rs. /kW/M	3.5665

It is delineated to the Authority that keeping in view the direction of the Authority the CPPA-G has calculated the PYA adjustment of Rs. 257.51 million for FY 15-17. The CPPA-G has also estimated other income of Rs. 230 million for FY 2017-18. The Authority is requested to incorporate the figure of PYA and other income while assessing the revenue requirement of the company. The requested revenue requirements for FY 2017-18 is discussed in detail in the following paragraphs;

5.1. GENERAL ESTABLISHMENT COST

The General Establishment head consist of cost associated with pay & allowances, employee's benefits, training and capacity building and outsourcing consultancy services. The Authority in the Market Operation Fee determination dated January 05th 2017 allowed an amount of Rs. 525.09 million in the head of general establishment cost against the requested amount of Rs. 537.19 whereas actual expense comes to Rs. 455.42. Now for FY 2017-18 the Authority is requested to allow an amount of Rs.752.07 million in the head of general establishment Costs.

The summary of the requested amount is given below;

Mln. Rs.

General Establishment Cost	FY 2016-17		FY 2017-18
	Determined	Act.	Requested
Pay & Allowances	467.00	413.35	662.94
Training & Capacity Building	15.00	14.79	40.70
Outsourcing Consultancy Services	43.09	27.28	48.43
Total	**525.09**	**455.42**	**752.07**

The Authority in the Market Operation Fee determination FY 2016-17 allowed an amount of Rs. 467 million for pay & allowances whereas, the actual expenditures come to Rs. 413.35 million. It is delineated to the Authority that the prolonged hiring process than the estimated time of 81 vacant positions is the main cause of lesser expenses in the head of pay & allowances. For FY 2017-18 the Authority is requested to allow an amount of Rs. 662.94 million in the head of Pay & Allowances. The proper justifications of requested increase from the Authority's allowed amount of Rs. 467 million for FY 2016-17, are discuss hereunder;

- ✓ The main reason of requested increase of Rs. 195.94 million in the head of pay & allowance is that, in FY 2016-17 the Authority has allowed an amount of Rs. 97.5 million to fill the 81 vacant positions. The allowed amount was based on the 6 months' salary estimates, because the positions was expected to be filled by the mid of FY 2016-17. Now as the hiring process is almost completed therefore the pay and allowances of newly filled positions are estimated for the whole year of FY 2017-18 along with increases in the salaries.
- ✓ 10% annual increment in pay and allowances of eligible employees is also incorporated for FY 2017-18.
- ✓ The Authority in para 24.13 of the Market Operation Fee determination dated January 5, 2017 has allowed to purchase of vehicle for employees of grade G-9 and above. Later the management of CPPA-G decided to allow a vehicles monetization allowance for G-09, G-10 & G-11 cadre officers instead of providing the company's-maintained vehicles. The Authority is requested to allow the same.
- ✓ An amount of Rs. 23.35 million has also been estimated as one basic pay bonus to the eligible employees of the CPPA-G. It is also submitted that the similar organization in the Government sector also paying the bonus to its employees therefore it is requested to please allow the same.
- ✓ The requested Pay & Allowances also includes the employees benefits in shape of EOBI fund of Rs1.56 million, Health Insurance Rs. 12.36 million, Gratuity Fund Rs. 36.54 million, Provident Fund Rs. 13.80 million, Earned Leave Rs. 42.74 million, Honoraria Rs. 2.00 million and pension contribution of 51 deputation employees i.e Rs. 9.97million for FY 2017-18.

Keeping in view the above it is humbly requested to the Authority to kindly allow and amount of Rs. 662.94 million in the head of Pay & Allowances and the Authority is also requested to adjust the same as PYA (upward / downward as the case may be) when the financial statements for FY 2017-18 would be available.

5.2. TRAINING & CAPACITY BUILDING.

In the head of training and capacity building the Authority has allowed an amount of Rs. 15 million against the CPPA-G requested amount of Rs. 27.10 million for FY 2016-17. The Authority was of the view that the requested amount of Rs. 27.10 is for complete period of FY 2016-17 whereas half of the period has already been lapsed therefore, CPPA-G would not be able to spend the whole amount in the remaining financial period. Against the Authority allowed amount for FY 2016-17 the actual expenditure comes to Rs. 14.79 million in the head of training and capacity building. For FY 2017-18 the Authority is requested to allow an amount of Rs. 40.70 million in the head of training and capacity building. It is delineated that the CPPA-G is going through the restructuring and market development process for which numerous training and capacity building programs are required. The breakup of requested amount is hereunder;

Description	Amount Required Mln. Rs.
Local Trainings	8.490
Foreign Trainings	20.210
Workshops (Market development sessions)	12.00

Keeping in view the above the Authority is requested to please allow an amount of Rs. 40.70 million in the head of training and capacity building for FY 2017-18.

5.3. OUTSOURCING SERVICES & CONSULTANCY

In order to procure consultancy services, the Authority has allowed an amount of Rs. 43.09 million in the head of outsourcing services and consultancy. Against the Authority allowed amount of Rs. 43.09 the CPPA-G has spent an amount of Rs. 27.28 million for FY 2016-17. The major reason of lesser expenses in this head is that, CPPA-G was able to increase the share of ADB's grant for these activities and reduced the burden on the end customers.

For FY 2017-18 the Authority is requested to allow an amount of Rs. 48.43 million in the head of outsourcing services and consultancy. This cost incudes, (a) financial forecast consultant Rs. 6.4 million, (b) demand forecast consultant Rs. 6.4 million, (c) market simulation model consultant Rs. 7.2 million, (d) advisor treasury Rs. 5.0 million, (e) advisor IT Rs. 5.8 million, (f) advisor HR Rs. 2.6 million, (g) Change Management Consultant 4.0 million, and (f) an individual consultant for future tasks Rs. 2 million per annum. Further, CPPA-G has planned to outsource some non-core services i.e Janitorial Services and Security Services for Rs. 4.5 million and Rs. 4.2 million for the FY 2017-18, respectively.

It is further submitted to the Authority the cost may be actualized (upward / downward) based on financial statements of FY 2017-18. As the requested cost is subject to actualization therefore it is requested to the Authority to kindly allow an amount of Rs. 48.43 million in the head of outsourcing services and consultancy.

5.4. ADMINISTRATIVE COST

The administrative expenses consist of rent, rate and taxes, electricity bill charges and water charges, telephone bills, courier and internet charges, office supplies and other expenses, entertainment, Sports & Recreation, advertisement and publication, travelling expenses, professional fee and other related miscellaneous expenses.

In the application for Market Operation fee dated 31 May 2016 CPPA-G has requested an amount of Rs. 85.44 million in the head of administrative cost for the FY 2016-17. The Authority after detailed analysis of the requested amount has allowed an amount of Rs. 72.43 million on account of administrative cost whereas the actual expenses for FY 2016-17 comes to Rs. 59.94 million.

For FY 2017-18 the administrative cost is estimated to Rs. 82.10 million as compare to Rs. 72.43 million allowed by the Authority for FY 2016-17. The requested administrative cost along with justification is discussed in detail in following paragraphs;

Rent, Rate & Taxes: These expenses are related to the building rent, being paid for occupying office space to carry out CPPA-G operations. For FY 2016-17 the Authority has allowed an amount of Rs. 30.80 million for rent, rate and taxes against the claimed figure of Rs. 35.75 whereas, the actual expenses come to Rs. 22.04 million. The main reason for lesser expense is this head is due to merger of various office into single office, however two site offices are still operating from Lahore due to operational reasons.

Presently, CPPA-G is carrying out its operations in four offices on rent that includes (a) ENERCON Building Islamabad Rs. 0.73 million per month (b) Shaheed e Millat Office Islamabad Rs. 0.12 million per month (c) Occupied in Wapda House Lahore Rs.1.0 million per month (d) MF Treasury office Napier Road Lahore Rs 0.23 million per month (MF Treasury office is estimated for 3 months of FY 2017-18). Therefore, it is requested to the Authority to kindly allowed an amount of Rs. 23.10 million in the head of rent rate and taxes.

Power light and water: This head includes electricity charges, water & gas charges. For FY 2016-17 the Authority has allowed Rs. 5.00 million in the head of power, light and water against the requested amount of Rs. 13.07 million, whereas the actual expenses come to Rs. 4.41 million.

Keeping in view the monthly average expenditure an amount of Rs. 6.28 million has been projected for FY 2017-18 therefore, the Authority is requested to please allow the same.

Telephone, Internet & Postage etc: This head includes the telephone charges, mobile charges (based on the allowance being allowed the employees of the CPPA-G), the internet and courier charges for external communication through letters. For FY 2016-17 the Authority has allowed Rs. 4.21 million in the head of telephone, internet & postage against the requested amount of Rs. 4.21 million, whereas the actual expenses come to Rs. 2.01 million.

For FY 2017-18 the Authority is requested to allow an amount of Rs 9.82 million in the head of telephone, internet & postage. The main reason of this increase is that, the board/management of CPPA has approved for officer of grades G-06 to G-11 to avail the facility of mobile phone. The annual expenditure estimation under this head includes, (a) telephone charges, Rs.0.97 million (b) mobile phone charges, Rs.5.0 million (c) office internet Rs.3.3 million and (d) courier charges Rs.0.48 million.

Other Administrative Expenses; the remaining heads of administrative expenses consist of office supplies & other expenses, entertainment, sports & recreation, subscription & periodicals, advertisement & publications, travelling fee, professional fee and general miscellaneous expenses. For FY 2016-17 the Authority has allowed an amount of Rs.32.42 million associated with these heads and the actual expenditure remains within the same range. The Authority is requested to allow an amount of Rs. 42.90 million for other administrative expenses. It is submitted that these expenses are essential in nature and being incurred to carry out routine operations of the CPPA-G therefore it is requested to allow the same.

The head wise break of administrative cost is hereunder;

Administrative Costs	FY 2016-17		FY 2017-18
	Determined	Act.	Requested
Rent Rate & Taxes	30.80	22.04	23.10
Power Light etc.	5.00	4.41	6.28
Telephone Fax & Postage Telegram etc.	4.21	2.01	9.82
Office Supplies & Other Expenses	5.01	4.80	6.60
Subscription & Periodicals	0.13	0.02	0.14
Representation & Entertainment	0.13	0.12	0.30
Sports & Recreation	-	-	2.50
Advertisement & Publications	-	-	3.12
Travelling Expenses	17.00	16.58	18.70
Professional Fee & BOD Fee	10.00	9.89	11.38
General Misc. Expenses	0.15	0.09	0.17
Total	**72.43**	**59.94**	**82.10**

It is further submitted to the Authority that the administrative cost may be actualized (upward / downward) based on financial statements of FY 2017-18. As the requested cost is subject to actualization therefore it is requested to the Authority to kindly allow an amount of Rs. 82.10 million in the head of administrative cost.

5.5. INSURANCE, FINANCIAL CHARGES

In FY 2017-18 amounts of Rs. 0.18 million and Rs. 2.40 million are required for insurance and financial charges respectively. The insurance expenses are requested to pay insurance premium of miscellaneous assets and it has been kept @3% as directed by the Authority in the Market Fee determination dated January 05, 2017. Financial charges are normal bank charges charged by banks against total transactions/ projected payments of over Rs.1.5 trillion.

Keeping in view the above the Authority is requested to allow amounts of Rs. 0.18 million and Rs. 2.40 million in the head of insurance and financial charges respectively

5.6. REPAIR MAINTENANCE

The Repair & Maintenance expenses consists repair and maintenance of furniture, office equipment, vehicles, fuel charges, oil & lubricants, annual fee and token taxes. For FY 2017-18 the Authority is requested to allow an amount of Rs. 9.08 million in the head of repair and maintenance.

Repair &Maintenance: The major costs include in repair and maintenance are purchase of printer & photocopier toners, repair of furniture and office equipment and repair and maintenance of pool vehicles. CPPA-G has fourteen vehicles in pool for office use and all the vehicles are old and need one-time complete general maintenance for the smooth running. However, after the general maintenance of vehicles this head will decrease in the next financial year.

Vehicle Expenses- fuel & oil: This includes the cost related to fuel & lubricant for office vehicles. The Authority in the Market Operation Fee determination dated January 05th 2017 allowed an amount of Rs. 10 million in the head of vehicle fuel and oil against the requested amount of Rs. 16.01 whereas actual expense comes to Rs. 11.53. Now for FY 2017-18 the Authority is requested to allow an amount of Rs.10.048 million in the head of vehicle fuel and oil. The vehicle fuel oil cost is mainly based on the allowed limits of 14 pool vehicles.

5.7. PRIOR YEAR ADJUSTMENT

The Authority has allowed an amount of Rs. 581.70 million (Rs. 2.5191 /kW/M) net of other income, to meet the revenue requirement of the company for FY 2016-17. The Authority in the Market Fee determination dated January 05, 2017 also mentioned that the allowed amounts are subject to actualization base on the actual finding of the results. As the actual results of FY 2016-17 has arrived so, the determined revenue requirement is compared with actual result to find out the upward / downward revision of the allowed tariff. The working of the PYA for FY 2016-17 is tabulated below;

Description	Mln Rs	Rs./kW/M	MDI	Mln Rs
FY 2014-15				
Determined				42.07
Recovery from NTDCL				12.36
				29.71
O&M Expenses				
Determined	42.07			
Actual	42.40			*0.33*
Other Income				
Determined	-			
Actual	(29.71)			*(29.71)*
Tax				
Determined	-			
Actual / Provisional	11.29			*11.29*
PYA for FY 2014-15				**11.62**

Description	Mln Rs	Rs./kW/M	MDI	Mln Rs
FY 2015-16				
Determined				117.79
Recovery from NTDCL				40.63
				77.16
O&M Expenses				
Determined	388.65			
Actual	368.05			*(20.60)*
CAPEX				
Determined	8.58			
Actual	6.92			*(1.66)*
Other Income				
Determined	(279.44)			
Actual	(356.60)			*(77.16)*
Tax				
Determined	-			
Actual / Provisional	118.99			*118.99*
PYA for FY 2015-16				**96.73**

Description	Mln Rs	Rs./kW/M	MDI	Mln. Rs.
FY 2016-17				
Determined		2.5191	19,243	**581.71**
Recovery		2.5191	20,493	**619.48**
				(37.77)
O&M Expenses				
Determined	616.79			
Actual	542.00			***(74.79)***
CAPEX				
Determined	244.35			
Actual	37.13			
*Capex Pending	159.37			***47.85***
* Excluding vehicles				
Other Income				
Determined	(279.44)			
Actual	(202.75)			***76.69***
Tax				
Determined	-			
Actual / Provisional	137.19			***137.19***
PYA for FY 2016-17				**149.16**
Total PYA FY 15,16 & 17				**257.51**

The Authority vide para 23.4 of its determination has decided that the pass through of the taxation shall be accounted for when it would be incidental. The Company Auditors M/S Riaz Ahmad & Company Chartered Accountants have provided the provision for taxation based on Market Operation Fee (MOF) as Agency Commission therefore it is taxable under Final Tax Regime (FTR) @ 12% of the MOF and the Profit on Banks Accounts is to be taxed at Normal Tax Regime (NTR). This has resulted in the heavy provision of taxation.

Keeping in view the above the Authority is requested to allow and amount of Rs. 257.51 million as prior year adjustment for FY 2017-18.

5.8. CAPITAL EXPENSES

The requirements of capital expenses for 2017-18 have been estimated in following categories:

- I.T Equipment & Software
- Office Space Renovation
- New Vehicles
- Other (Furniture & Fixtures)

The detail of requested Capital Expenditure for FY 2017-18 and last year allowed cost and spending by the CPPA-G are given below:

Mln Rs.

Description	FY 2016-17	FY 2017-18
	Allowed	Requested
ERP	175.82	-
IT Equipment & Software	-	6.85
Office Space Renovation	10.00	10.00
New Vehicles	47.85	4.00
Others (Furniture & Fixtures)	10.68	5.00
Total	244.35	25.85

a) ERP

The Authority in FY 2016-17 has allowed an amount of Rs. 175.82 million for implementation of ERP system as approved by BOD of CPPA-G. CPPA-G in FY 2016-17 has spent an amount of Rs. 23.53 million and it is off the view of the company that the remaining amount of Rs. 152.29 will be utilized in FY 2017-18. Therefore, the Authority is requested to please allow to retain the remaining amount of Rs. 152.29 million for utilization in the head of ERP in FY 2017-18.

b) I.T EQUIPMENT & SOFTWARE.

IT equipment & Software i.e. Laptops for employees, printers for office work and purchase of registered software for smooth working of the office. The cost of I.T equipment is planned on the basis of new induction and future requirements of employees in the CPPA-G. The estimated amount of the activity planned in this regard during the FY 2017-18 is Rs. 6.85 million.

c) OFFICE SPACE RENOVATION

The office space renovation includes existing space, incremental cost & renovation of the office. Currently CPPA-G has been shifted to new office and its staff strength is continuously increasing through competitive hiring process which is leading to continuous change in the accommodation area and increase in partition work for the adjustment of newly inducted employees. The estimated amount of the activity in this head is planned to be Rs.5.00 million for the FY 2017-18.

d) NEW VEHICLES

These vehicles are to be purchased to strengthen the logistic support and improvement in the resource utilization and field work efficiency of the CPPA-G. The estimated cost of the utility vehicles to be procured for official use is Rs.4.00 million for the FY 2017-18.

e) OTHERS (FURNITURE & FIXTURES)

Expenditures under this head are incurred for the improvement of the working environment, better look of office and providing better working conditions. The amount under this head is planned to be Rs.5.00 million for the FY 2017-18

6. PROPOSED MARKET OPERATORS FEE

In view of the above discussion the summary of the revenue requirement is produced hereunder;

Description	Mln. Rs. FY 2017-18 Requested
General Establishment Costs	752.07
Administrative Costs	82.10
Repair & Maintenance	19.12
Insurance	0.18
Depreciation	-
Finance Charges	2.40
Total Revenue Requirement	855.87
CAPEX	25.85
Revenue Requirement + CAPEX	881.72
Avg. MDI	20,602
Rs. /kW/M	3.5665

7. PRAYERS:

(i) In view of above submissions, it is respectfully prayed that the Authority may very graciously approve the Market Operation Fee @ Rs. 3.5665 per kW / Month for the FY 2017-18.

(ii) The Authority is requested to incorporate an amount of Rs. 257.51 and Rs. 230 million in the head of PYA and other income respectively, while assessing the revenue requirement of the company for FY 2017-18.

(iii) Authority may allow immediate application of above mentioned Market Operations Fee under Sub-Rule 7 of Rule 4 of the NEPRA (Tariff Standards and Procedures) Rules, 1998.

(iv) Any other relief which the Authority deems fit in the circumstances may also be granted.

(Abid Latif Lodhi)

Chief Executive Officer CPPA-G

Annex-1

Central Power Purchasing Agency Guarantee Limited

A Company of Government of Pakistan

No. CPPA-G/2017/CS/1080-81 03rd July, 2017

BOARD RESOLUTION VIII / 28

CPPA-G Market Operators Fee / Budget for the FY 2017-18

A meeting of Board of Directors of Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) was held on 20th June 2017 at 2nd floor, Ministry of Water and Power, A Block, Pak Secretariat Islamabad.

The Board of Directors of Central Power Purchasing Agency Guarantee Limited (CPPA-G) has;

Resolved that "CPPA-G Budget of Rs. 881.72 million for FY 2017-18 be and is hereby approved"

Further Resolved that "CPPA-G be and is hereby authorized to present the Budget of Rs. 881.72 million for FY 2017-18 to NEPRA as Market Operators Fee for approval"

Further resolved that "Chief Executive Officer CPPA-G be and is hereby authorized to submit the petition and to attend, to appear before NEPRA for the approval of Market Operators Fee of CPPA-G for the FY 2017-18"

Further resolved that "Chief Executive Officer CPPA-G, CPPA-G Chief Financial Officer CPPA-G, Chief Technical Officer CPPA-G & Chief Legal Officer CPPA-G be and are hereby authorized to;

- *i- sign individually or jointly the necessary documents for the petition for Market Operator Fee of CPPA-G for FY 2017-18*
- *ii- file subsequent review petition after the determination on the said application for FY 2017-18*
- *iii- pay the necessary fee for filing of Market Operator Fee petition of CPPA-G*
- *iv- To appear before the authority as needed and do all acts necessary for the completion and processing of application"*

CERTIFIED TO BE TRUE COPY

Certified that the above resolution was passed by the Board of Directors of Central Power Purchasing Agency (Guarantee) Limited in its 28th meeting held on 20th June, 2017 and has been duly recorded in the minutes book of the Company.

CERTIFIED TO BE TRUE COPY
Company Secretary
CPPA-G Ltd.

Noman Rafiq
Company Secretary

COMPANY SECRETARY CPPA-G ISLAMABAD

Distribution:

i. Chief Financial Officer, CPPA (G) Ltd.

CC for Information:

I. Chief Executive Officer, CPPA (G) Ltd.

Central Power Purchasing Agency Guarantee Limited
A Company of Government of Pakistan

CPPA-G/2017/CEO/SMD/8876-91

Aug 22nd, 2017

The Registrar NEPRA,
NEPRA Tower,
Ataturk Avenue (East), G-5/1,
Islamabad.

Subject: Submission of Power Market Survey (PMS) Based Medium Term Forecast on Behalf of DISCOs for Obtaining Regulatory Approval in accordance with DPC-5

Energy & Demand Forecasting is a very vital activity for estimation of the future generation requirement and network planning. It is further apprised that based on the mandate given by the Economic Coordination Committee (ECC) of the Cabinet, CPPA-G has prepared a high-level market model for transition of current power market to a Competitive Trading Bilateral Contract Market (CTBCM) in consultation with stakeholders. One key aspect of this new market model is the capacity obligation on market participants to ensure security of supply for end consumers. Acurate Energy and Demand forecasting forms the basis of future power procurement of the country and is also a pre-requisite to discharge this proposed requirement of capacity obligation.

Also it is pointed out that even in current market regime, energy and demand forecast is a mandatory requirement for market participants / service providers. The Planning Code (PC-4) of the Grid Code (**Appendix**-1) requires from NTDC to prepare long term forecast. The Distribution Planning Code (DPC-5) of the Distribution Code (**Appendix**-2) requires that DISCO's shall prepare each year a short to medium term load forecast. Likewise Operation Code (OC-2) of Grid Code (**Appendix**-3) requires that for real time operations NTDC/NPCC shall conduct its own operational demand forecast.

In this connection CPPA-G since mid of 2016 has not only assisted the DISCOs to prepare the medium-term (PMS based forecast) which was discontinued for couple of years but has also worked on preparing the long-term econometric forecast. CPPA-G understands that as per DPC-5 it is sole DISCO's obligation to prepare the forecasts. Therefore, after the transition period (June 2016 to June 2018) CPPA-G will continue to only (a) do the quality assurance of the data (b) monitoring of the forecasting process and (c) consolidate the forecast on the country level. It is further added that the Transition Plan implementation will help to regularize electricity demand forecasting in the country and capacity building of DISCOs so that they can produce these forecasts independently and own the forecasts, which is very important for power market transition in the Country.

The first forecast [1](the PMS based forecast) has been prepared by the DISCOs under guidance of CPPA-G's forecasting experts. In this regard, DISCOs were invited to visit and work with CPPA-G's forecast team as per the following schedule:

[1] The long-term forecast will be submitted for Regulatory Approval in August 2017

Month	Duration			DISCOs
	From	To	Working Days	
Nov-Dec/2016	Nov 21, 2016	Dec 02, 2016	10	FESCO, HESCO
Dec/2016	Dec 05, 2016	Dec 16, 2016	10	LESCO, GEPCO
Dec/2016	Dec 19, 2016	Dec 30, 2016	10	IESCO, MEPCO
Jan/2017	Jan 02, 2017	Jan 13, 2017	10	QESCO, TESCO
Jan/2017	Jan 16, 2017	Jan 27, 2017	10	PESCO, SEPCO

Experts from CPPA-G facilitated the DISCOs teams in preparation of their forecasts. After, the finalization of the forecast by the DISCOs teams, draft reports were prepared by CPPA-G staff and were sent to DISCOs for feedback/comments. After addressing the comments received from DISCOs, the reports were finalized. Moreover, CPPA also sought internal approvals of the DISCOs on the final reports vide CPPA letter no CPPA-G/2017/CEO/Admin/8414-28. Eight DISCOs have communicated their internal approvals **(Internal Approvals by DISCOs attached as Appendix-4).**

With this letter on behalf of DISCOs, CPPA-G is forwarding ten DISCO's wise forecasts reports (**Annexure**-1) and one PMS consolidated report (**Annexure**-2) for review and obtaining regulatory approval. It is further submitted that any comments or queries may please be addressed to CPPA-G for onward transmission to DISCOs for preparing the response.

Abid Latif Lodhi
CEO (CPPA-G)

C.c for Information:

- Joint Secretary Policy & Finance, Ministry of Water & Power, Islamabad
- MD NTDC, WAPDA House, Lahore
- Chief Executive Officers - all DISCOs
- Chief Technical Officer, CPPA-G, Islamabad
- DGM, Strategy & Market Development, CPPA-G, Islamabad
- Head Forecast Section: Room No. 110, WAPDA House, Lahore
- Master File

PC 2.2.4 **Short Circuit (Fault Levels)**

Short circuit calculations shall be prepared for each study year, and adequacy of fault interrupting capability and short circuit withstand capacity shall be ensured.

PC 3 **RESPONSIBILITY**

All Code Participants are responsible for participation in the short-term and long-term planning process. The primary responsibility for the planning process is assigned to the Planning Department of NTDC. Other Code Participants include: distribution companies, KESC, GENCOs, Hydel Generators, IPPs, other Generators under Central Dispatch, Externally-connected Parties and Consumers, and Transmission-connected Consumers.

The annual reporting requirements regarding its System Reliability Assessment and Improvement are included in the NERPA Transmission Performance Standards Rules.

PC 4 **FORECASTS AND GENERATION EXPANSION PLAN**

Each year, the NTDC shall prepare and deliver to NEPRA a Ten-Year "Indicative Generation Capacity Expansion Plan (IGCEP)" covering 0-10 Year timeframe. NTDC shall provide this IGCEP or NTDC Plan.

The "Indicative Generation Capacity Plan" (NTDC Plan) shall identify new capacity requirements by capacity, location and commissioning date. This capacity expansion plan shall satisfy Loss of Load Probability[2] criteria, load growth forecast, operating reserve requirements, and other related capacity planning criteria. The plan shall be subject to review and approval by NEPRA.

NTDC shall establish and maintain a marketing group whose function shall be to track and identify potential new industrial, commercial and government projects that can result in the need to construct new generation, substations and transmission facilities.

Information about potential new generating projects and new loads shall be directed to NTDC for use in preparation of load forecasts and transmission expansion plans.

PC 4.1 **Generation Capacity Additions**

The "Indicative Generation Capacity Expansion Plan" (NTDC Plan) shall take into account capacity requirements and upgrades as reported by generation owners. The "NTDC Plan" shall include generation needed to meet estimated load as well as required

[2] LOLP of 1% per NTDC Master Planning Document.

reserves. The NTDC Plan shall produce a year-by-year list of projects and specify capacity, and location, and take into account capacity retirements and major maintenance Outage periods.

The NTDC Plan shall be based on a twenty-year Load Demand and Energy Forecast and shall be prepared according to a Loss of Load Probability (LOLP) methodology established under this Grid Code, and NEPRA Transmission Performance Standards Rules.

An initial target value of LOLP, not to exceed 1% per Year, shall be used. NEPRA shall review and revise the LOLP value from time to time.

The "NTDC Plan" shall be used as an input to the preparation of NTDC's Transmission System Expansion Plan (TSEP).

The NTDC shall be submitted to NEPRA on or before April 15 for the next financial year.

PC 4.2 **Procedures for Transmission System Expansion**

NTDC shall establish a planning process that leads to the recommendation of specific transmission system reinforcements, upgrading, and expansion projects. Specific projects shall be defined according to established planning criteria contained in this Grid Code, and in response to load growth, and the NTDC Plan.

The TSEP shall be presented to NEPRA each year as part of the "Annual System Reliability Assessment and Improvement Report", and shall be in terms of specific projects. The projects shall be identified in terms of: new transmission lines, new transmission circuits, new grid stations, new transformer installations, sub station bus expansions, voltage control projects, circuit breaker upgrading projects, elimination of congestion bottlenecks, and system stability improvement projects.

NTDC shall participate in and coordinate its system planning efforts with the 132 kV planning efforts to be carried out by the distribution companies. In this regard, it is to be expected that there will be some joint projects until the planning and development of the 220 kV and 500 kV System makes the NTDC System independent of the distribution company 132 kV system planning process.

NTDC shall submit to NEPRA for information its proposed plan for its planning process on or before the year of enforcement of the Grid Code. The Plan shall as a minimum address the following points:

Load Forecasting

Three levels of load forecasts should be employed for a time horizon of at least next twenty years for the long-term. The three levels are (1)

High Growth; (2) Medium Growth and (3) Low Growth projections. Factors that are to be taken into account when preparing the load forecasts are: economic activity, population trends, industrialization, weather, distribution companies forecasts, demand side management, load shedding etc.

Project Identification

A Detailed "Transmission Investment Plan" shall be prepared that is based on the "NTDC Twenty-Year Load Forecast", "Indicative Generation Capacity Expansion Plan (IGCEP or NTDC Plan)", and the Transmission System Expansion Plan (TSEP)" based on ASRAI. The Plan shall be broken into several time periods. The Transmission Plan may be prepared for next one, three, five and ten years into the future.

PC 5 PLANNING DATA

Data requirements for planning of future works, which would include the development of new facilities, reinforcements, up-ratings, extensions and augmentation of the existing facilities, and planning for the new Connection Points shall be provided to NTDC each year by all the Users/Code Participants on 1st of January each year.

Demand, Active and Reactive Energy Data

Each Code Participant/User directly connected to the NTDC Transmission System shall provide to NTDC its Load Demand data, historic, current and projected. The required data shall be provided for each sub station in each User/Code Participant's System as applicable.

Each User/Code Participant shall provide forecast data for power demand, Active and Reactive energy and demand requirements on its System. The User/Code Participant shall separately indicate its non-BPC Load Demand on sector-wise basis, BPC's Demand, and the Load Demand of the Second-tier Users of their network, if any.

The Code Participants shall provide the following Load Curves:

(a) Monthly Load Curves of daily peaks; and

(b) Yearly load of monthly peaks

The User/Code Participants shall provide the expected monthly peak Load Demand for each of their Connection Points with the NTDC System.

General Demand Data

(a) NTDC may ask any other data i.e. specific daily Load Curves, energy consumption from the Users/Code Participants. The

APPROVED BY THE AUTHORI

g. Equipment insulation co-ordination.

h. Construction practices and additional requirements.

Based on the NTDC/Licensee studies NTDC shall identify 66kV/132 kV transmission lines and grid stations projects that are critical to the reliability and performance of the 132 kV, 220 kV and 500 kV transmission system. NTDC and effected Licensees shall meet and work out details and costs associated for construction of the necessary 132 kV facilities. The expansion of 132/66kV Licensee system shall be carried out with a view of overall economics of developing the transmission network.

Each year each Licensee shall submit to NTDC a relay coordination study. NTDC will prepare a system wide relay coordination study and advise each Licensee of any required changes to the relay settings.

DPC 5 LOAD DEMAND ASSESSMENT AND FORECASTING TECHNIQUES

DPC 5.1 The Licensee shall prepare each year a short to medium term load forecast for a period of 5 (five) years (the planning period shall be 5 years. The load forecast used for operating purposes can be for one year only) for its Service Territory as well Concessional Territory Area of Supply taking into account historic and the probable load growth and consumption pattern of the consumers. The Licensee shall adopt appropriate and established load forecasting methodology using reliable data and relevant indices. The methods may include one or more of the following.

a. Historical population and load growth analysis

b. Land use and zoning methods

c. End-use energy methods

d. Any other reasonable and justifiable method

DPC 5.2 The load forecast shall define a specific load area and type of consumers and for a specific time frame. The specific load area shall be identified such as residential, commercial, light industrial and heavy industrial. The time period shall be identified as short to medium term (1-5 years).

The Licensee shall work out the annual energy requirement and Peak Demand for each of the coming five years relating to each point of interconnection on the basis of its load forecast.

The Licensee shall install metering at each substation to provide kVA demand per substation and kVA demand on each 11kV feeder. The diversity factor can be calculated as follows:

$$\text{Diversity Factor} = \frac{\text{sum of all feeders MW demands}}{\text{Substation MW demand}}$$

If this value is less than 1 it is an indication that the metering or readings are in error.

This information can be used for Load Demand forecasting to determine kVA/substation or substation served area and kVA feeder demand/feeder and kVA demand per feeder area served.

Energy sales can be used to determine the required generation forecasts. Therefore the Licensee shall provide kWh meters at the substations. The energy meters will provide sales information and can be used to determine the system load factor as follows;

$$\text{Load Factor} = \frac{\text{kWh in period}}{\text{Peak kW demand x hours in period}}$$

Load can be used to calculate KW demand for substation or a particular feeder and with a given power factor can calculate the kVA demand of the respective sub-station or feeder.

DPC 6 MAPS AND RECORDS

The Licensee shall develop procedures and guidelines of digitized mapping of the distribution network, including instructions requiring essential needs of revisions and updates on maps and records and digitalizing wherever required as per the obligations placed under its distribution licence.

The existing maps showing the service territory as well as concessional territory of each Licensee are to be provided by the Licensee. The Licensee shall be responsible to verify the accuracy of the existing maps and revise the maps as necessary to update any system improvements that have been made. The mapping process shall be digitized to facilitate revisions and making the maps available to responsible planning, operating and maintenance personnel of the Licensee, NTDC, and NEPRA.

Each Licensee shall be responsible for operating and maintaining the distribution systems within the Service Territory as established in its distribution licence.

DPC 7 LOAD DEMAND PLANNING

Each Licensee shall annually make load flow calculations to determine the loading on distribution feeders, sub-transmission lines, transformers and sub-stations. The load flow studies shall be made for summer and winter peak conditions.

The load flow calculations shall be analyzed to identify overloaded facilities according to equipment loading criteria for each type of facility.

When overloaded facilities are identified the Licensee shall prepare plans either to shift load demand to relieve overloads or develop upgrading, reinforcement, augmentation and expansion plans for new facilities if the shifting of load is not recommended on permanent basis for a long period.

DPC 8 LOAD FLOW STUDIES

The plans, procedures and suitable measures shall be outlined as far as practicable, to maintain the optimum circuit (feeders) and equipment (transformer) loading. The need and provision of requisite load flow studies shall be specified by the distribution planning engineers.

DPC 9 PLANNING CAPABILITIES OF LICENSEE AND SYSTEM PLANNING SOFTWARE

State-of-the-art Distribution Load flow software programs shall be used by each Licensee to analyze the 11 kV Distribution systems. The program Modules will satisfy the requirements for Distribution System Planning of the

DEMAND FORECASTS

OC 2.1 INTRODUCTION, OBJECTIVE & SCOPE

OC 2.1.1 This sub-code is concerning Demand Forecasting as related to Operational Timescales with the specific objective of ensuring that the highest levels of security of power supply are maintained for Consumers at all times. The scope of this sub-code applies to all Users connected to the Transmission System, i.e. Generators, Distribution Companies and Consumers directly connected to the Transmission System of NTDC, and other Parties consuming power from the NTDC system.

OC 2.1.2 This sub-code covers Active Demand and Reactive Demand forecasts which are necessary to match generation output with system energy requirements.

OC 2.1.3 In advance of real time operations, demand forecasting shall be consolidated/developed by NTDC on the basis of demand forecasts provided by individual Users.

OC 2.1.4 For real-time operations, NTDC shall conduct its own demand forecasting taking into account information supplied by all the Users, and any other external factors that it may deem necessary.

OC 2.1.5 In this OC 2, the Points of Connection of Users, Generators, Consumers and External-connection shall be considered as a Transmission Connection Points.

Appendix 4-Internal Approvals by DISCOs

LAHORE ELECTRIC SUPPLY COMPANY
Office of Chief Engineer (Development) LESCO
Qartaba Grid Station Bahawalpur Road Lahore.
Ph:042-99214410 FAX 042-99214412

Memo No. 7989-92 /CE(Dev)/ M(P&S)/PMS-19. Dated: 11/05/2017.

To

Mr. Abid Latif Lodhi
Chief Executive Officer,
Central Power PurchasingAgency (Guarantee) Ltd
6th Floor, Shaheed-e-Millat Secretariat,
Jinnah Avenue, Blue Area, Islamabad.

Sub: **Internal Approval of PMS Report by Respective DISCOs.**

Ref:
1. Head Forecast Section (CPPA-G) letter No.CPPA-G/2017/LF-30, dated 08-05- 2017.
2. This office letter No.7201-03/CE(Dev)/M(P&S)/PMS-19, dated 26-04-2017.

PMS Report for the period 2016-2026 was received in this office. The report was analysed in detail and is found satisfactory.

The consolidated report may be submitted to NEPRA on behalf of LESCO for obtaining regulatory approval please.

Chief Engineer (Dev)
PMU LESCO

Info:

1. S.O to CEO LESCO.
2. Techincal Director LESCO.
3. Head Forecast Section Room No.110, WAPDA House, Lahore.
4. Master File.

FAISALABAD ELECTRIC SUPPLY COMPANY LIMITD

FESCO
Phone # 041-9220179
Fax # 041-9220511
Email: pmsfesco@gmail.com

OFFICE OF THE
CHIEF ENGINEER (P&D),
FESCO, FAISALABAD.

No. 3750-54

Dated. 19/05/2017

Chief Executive Officer,
CPPA (G) Ltd,
6th Floor, Sheheed-e-Millat Secretariat,
Jinnah Avenue, Blue Area, Islamabad.

SUB: **INTERNAL APPROVAL OF PMS REPORT IRO FESCO FOR THE YEAR 2015-16.**

Ref: PA-G/2017/CEP/Admin/8414-28 dated 28-03-2017

PMS report for the period 2016-2026 has been received vide referred letter. This directorate analyzed the report and pointed out some errors to the concerned office, which have been attended now. The report as a whole is found satisfactory.

The consolidated report may be submitted to NEPRA on behalf of FESCO for obtaining regulatory approval.

(MUJAHID PERVAIZ CHATTHA)
CHIEF ENGINEER (P&D)
FESCO FAISALABAD

Copies to:

- The Joint Secretary Policy & Finance Ministry of Water & Power, Islamabad.
- Director strategy and Marketing Development CPPAG, Islamabad.
- Mr. Bilal Ahmad, Head of Energy & Demand Forecasting, Room # 110 WAPDA House Lahore.
- SO to CEO FESCO for apprisal of CEO.

Appendix 4-Internal Approvals by DISCOs

Islamabad
Electric Supply Company Limited
Head Office, Street No. 40, Sector G-7/4 Islamabad
www.iesco.com.pk

No. 1891-92 /CEO/IESCO/CE(P&E)/HT-   Dated: 13/04/2017

Chief Executive Officer, CPPA (G),
6th Floor, Shaheed-e-Millat Secretariat,
Jinnah Avenue, Blue Area,
Islamabad

Subject: <u>APPROVAL OF PMS REPORT OF IESCO (2015-16 to 2025-26)</u>

Reference: Your office letter no. CPPA-G/2017/CEO/Admn/8414-28 dated 28-03-2017.

The subject draft report, received vide above referred letter, has been approved by Chief Executive Officer, IESCO Islamabad.

Chief Engineer (P&E)
IESCO, Islamabad

CC:
1. Chief Executive Officer, IESCO Islamabad for information please.
- Master file

MULTAN ELECTRIC POWER COMPANY (WAPDA)

Tele:061-9220192
Fax: 061-9220249

Office of the
Chief Executive Officer

No. 17734-38 /CE(P&E)/

Dated 11 MAY 2017

Mr. Abid Latif Lodhi,
Chief Executive Officer,
Central Power Purchasing Agency (Guarantee) Ltd,
6th Floor, Shaheed-e-Millat Secretariat,
Ninnah Avenue, Blue Area, Islamabad.

SUB: **INTERNAL APPROVAL OF PMS REPORTS BY RESPECTIVE DISCOS.**

REF: PA-G/2017/CEO/Admin/8414-28 dated March 28th, 2017.

A PMS Report for the period 2015-2016 to 2025-2026 is hereby received vide above referred letter. This office found the report appropriate.
The consolidated report may be submitted to NEPRA on behalf of MEPCO for obtaining regulatory approval please.

Chief Engineer (P&E)
MEPCO Ltd, Multan

C.C.

1. The Joint Secretary Policy and Finance, Ministry of Water & Power, Islamabad.
2. Director Strategy & Marking Development, CPPAG, Islamabad.
3. Head Forecast Section, Room No.110, WPADA House, Lahore.
4. S.O to CEO MEPCO for information.

Quetta Electric Supply Company

CEO
Dy. No 2106
21-4-17
CEO

Office of the Chief Executive Officer
Zerghoon Road QESCO, Quetta.
Phone # 081-9201626

No.CEO/QESCO/M (P&E)/PMS/ 1 4 5 5

April, 2017.

Mr. Abid Litif Lodi
Chief Executive Officer,
Central Power Purchasing Agency (Guarantee) Ltd
6th Floor, Shaheed-e-Millat Secretariat,
Jinnah Avenue, Blue Area, Islamabad.

Subject: - <u>Internal Approval of PMS Reports by Respective DISCOs.</u>

Ref: PA-G/2017/CEO/Admin/8414-28 Dated March 28th, 2017.

A PMS Report for the period 2016-2026 is here by received vide above referred letter. This directorate found the report cleared.

The consolidated report may be submitted to NEPRA on behalf of QESCO for obtaining regulatory approval please.

CEO for information

Manager (P&E)
QESCO, Quetta
11/4/017

C.C.to.

1. The Joint Secretary Policy and Finance, Mistry of Water & Power, Islaabad.
2. Director Strategy & marking Development, CPPAG, Islamabad.
3. Head Forecast Section: Room # 110, WAPDA House, Lahore.
4. The S.O to CEO QESCO, Quetta for information.

Appendix 4-Internal Approvals by DISCOs

FROM : TESCO FAX NO. :091 9212950 26 May 2017 11:35AM P1

TRIBAL AREA ELECTRIC SUPPLY COMPANY PESHAWAR

Tel No. (091) 9212006
Fax No. (091) 9212950
E.Mail: tescope205@gmail.com

Office of the
Chief Executive Officer
TESCO, 213-WAPDA House Peshawar
Date...26-5-2017...

No. CEO/TESCO/..5785-08..

Mr. Bilal
Head forcast section
Room No. 110 WAPDA House,
Lahore.

Subject: **THE PREPARATION OF POWER MARKET SURVEY (PMS) REPORT TAKING 2015-16 AS BASE YEAR**

Ref : Telephonic message from Mr. Ibrar on 25/5/2017 office of the above.

A PMS report for the period 2016 to 2026 is hereby received. This directorate found the report cleared.

The consolidated report may be submitted to NEPRA on behalf of TESCO for obtaining regulatory approval please.

Director (P&E)
TESCO H/Q Peshawar

Copy to:

1. The joint Secretary Policy & Finance Ministry of Water & Power Islamabad for information please.
2. Director Strategy & Marketing Development CPPA-G Islamabad for information Please.
3. Circulation

Appendix 4-Internal Approvals by DISCOs

PESHAWAR ELECTRIC SUPPLY COMPANY

OFFICE OF THE
CHIEF EXECUTIVE OFFICER
PESCO PESHAWAR

C.E(P&E)/S/162-66/PMS/PESCO

Dated 22/6/2017

(Mr. Abid Latif Lodi)
Chief Executive Officer,
Central Power Purchasing Agency (Guarantee) Ltd
6th Floor, Shaheed-e-Millat Secretariat,
Jinnah Avenue, Blue Area, Islamabad.

Subject: Internal Approval of PMS Reports by Respective DISCOs.

Reference: Your office letter No. CPPA-G/2017/CEO / Admin / 8414-28 dated 28.03.2017.

A PMS Report for the period 2016-2026 is hereby received vide above referred letter. This Directorate found the report cleared.

The consolidated report may be submitted to NEPRA on behalf of PESCO for obtaining regulatory approval please.

22-6-17

CHIEF ENGINEER (P&E)
PESCO PESHAWAR

Copy to:

1. The Joint Secretary Policy and Finance, Ministry Water & Power, Islamabad.
2. Director Strategy & Marking Development, CPPAG, Islamabad.
3. Head Forecast Section Room No. 110, WAPDA House Islamabad.
4. The S.O to CEO PESCO H/Q for information.

Appendix 4-Internal Approvals by DISCOs

GUJRANWALA ELECTRIC POWER COMPANY LIMITED

Ph#055-9200519-26
Fax:055-9200122
www.gepco.com.pk

OFFICE OF CHIEF EXECUTIVE OFFICER, GEPCO LTD.
565-A, MODEL TOWN GEPCO HEADQUARTERS G.T. ROAD GUJRANWALA
(MARKETING & TARIFF)

No. 17957 /PMS Dated: 10 / 7 /2017

Chief Executive Officer
Central Power Purchasing Agency (Guarantee) Ltd.
Enercon Building Sector G-5/2
Islamabad

14006255446

SUB Internal Approval of PMS Reports by Respective DISCOs

Ref: Your office letter No.CPPA-G/2017/CEO/Admin/84414-25 Dated March 28, 2017.

A PMS Report for the period 2016-2026 received vide above referred letter has been observed thoroughly and found cleared.

The consolidated report may be submitted to NEPRA on behalf of GEPCO for obtaining regulatory approval please.

10497 13.07.2017

17/7/17

CUSTOMERS SERVICES DIRECTOR
GEPCO, GUJRANWALA

Copy to:

1. Head Forecast Section: Room #110 WAPDA House, Lahore
2. PSO to Chief Executive Officer GEPCO Gujranwala for information please.

Central Power Purchasing Agency Guarantee Limited

A Company of Government of Pakistan

No. CPPA-G/2017/HR&A/ 3421-22

Dated: July 28th, 2017

Deputy Registrar NEPRA,
NEPRA Tower Ataturk (East)
G 5/1, Islamabad.

SUBJECT: COMPLIANCE OF NEPRA's DIRECTION ON DETERMINATION OF MARKET OPERATIONS FEE FOR THE PERIOD JUNE-15, FY 2015-16 AND FY 2016-17.

Ref: NEPRA's Determination vide letter No. NEPRA/TRF-366/CPPA-G-2016/198-200 dated: January 5, 2017.

This is with reference to aforementioned determination of Authority pertaining to Market Operation Fee of CPPA-G for the period June-15, FY 2015-16 and FY 2016-17.

The compliance pertaining to HR development/progress of CPPA-G, on account of directions of the Authority in its afore cited determination is attached.

(Rehan Hameed)
Director General (HR&A)

CC:

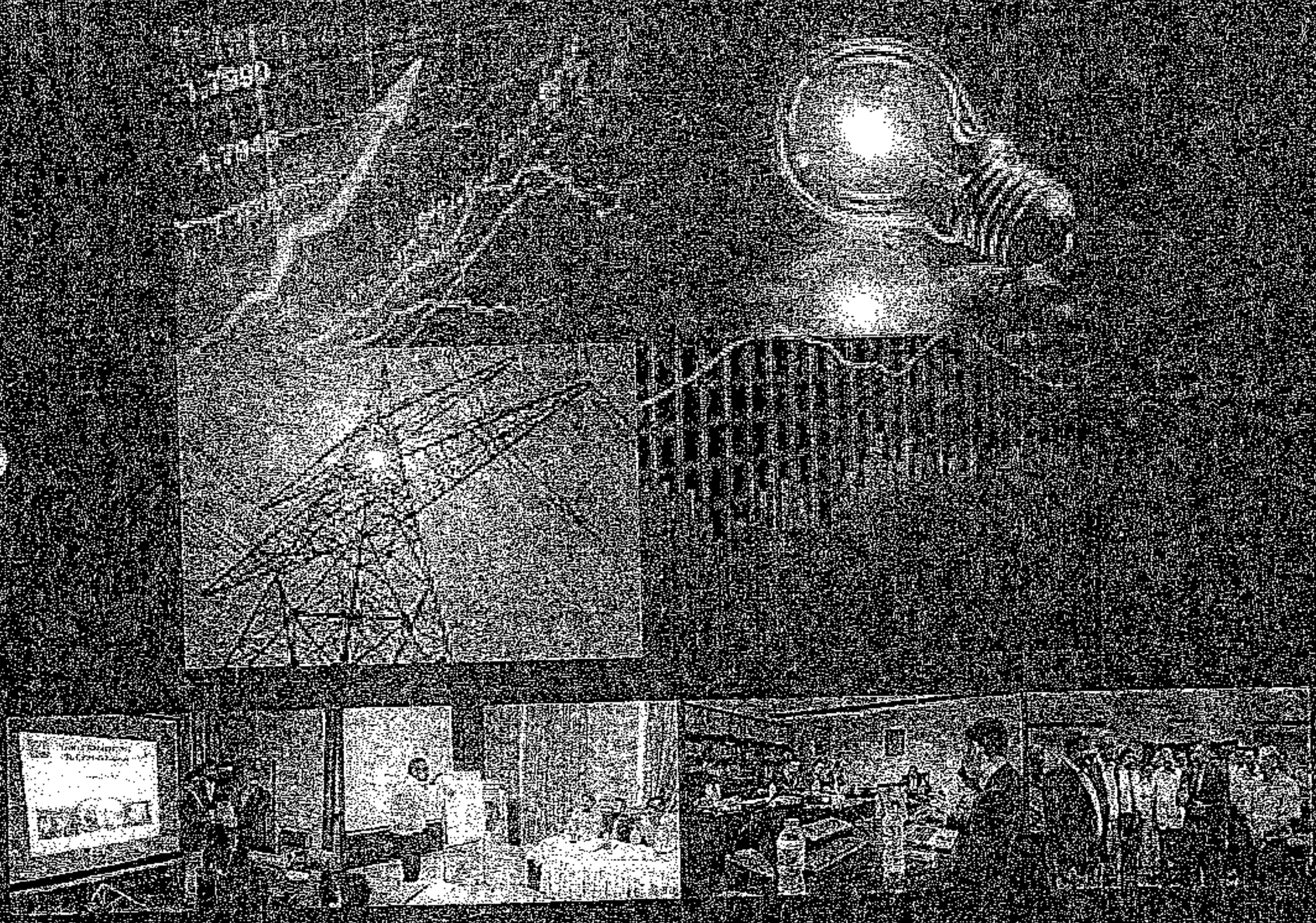
- Chief Executive Officer, CPPA-G.
- Master File

Transparency

Excellence

Teamwork

HUMAN RESOURCE PROGRESS REPORT BY CPPA-G AS ON JUNE-17



Phone: 051-9213816
Fax: 051-9213617

Our Vision is to become a world-class power Market Operator by providing the optimum environment for trading electricity in the Pakistani Power Market

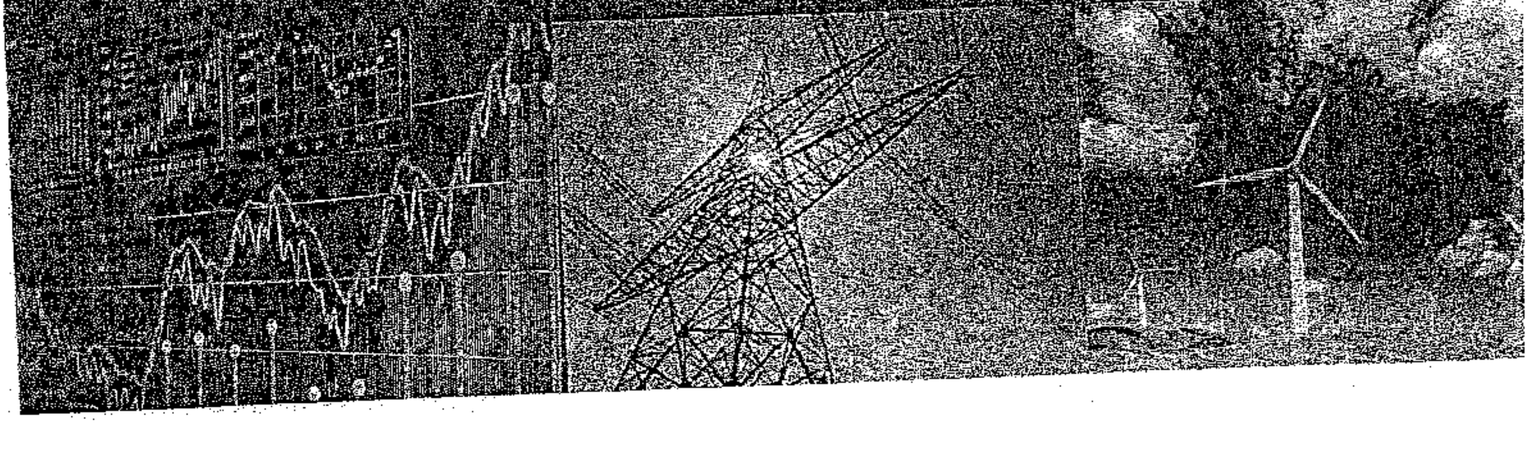
Our Core Values

Transparency

Excellence

Teamwork

Be-Respectful



Contents

ACRONYMS

CEO	Chief Executive Officer
CPPA-G	Central Power Purchasing Agency (Guarantee) Limited
CTBCM	Competitive Trading Bilateral Contract Market
ECC	Economic Coordination Committee
EOBI	Employees Old-Age Benefits Institution
ERP	Enterprise Resource Planning
GF	Gratuity Fund
GOP	Government of Pakistan
HR	Human Resource
KPI	Key Performance Indicator
NEPRA	National Electricity Power Regulatory Authority
NTDC	National Transmission and Dispatch Company
PAR	Performance Appraisal Report
PDQs	Post Description Questionnaires
PMS	Performance Management System

HUMAN RESOURCE DEVELOPMENT BY CPPA-G AS ON JUNE-17

Central Power Purchasing Agency (CPPA-G) is a Company incorporated under the Companies Ordinance, 1984 and solely owned by the Government of Pakistan (the "GOP"). Since June 2015, the CPPA-G has assumed the business of National Transmission and Dispatch Company (the "NTDC") pertaining to the market operations and presently functioning as the Market Operator in accordance with Rule-5 of the NEPRA Market Operator (Registration, Standards and Procedure) Rules, 2015 (the "Market Rules")

1. ROLE OF HR IN THE DEVELOPMENT OF CORPORATE CULTURE:

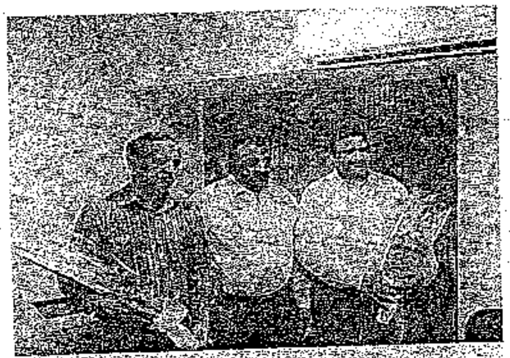
Culture in an organization is created and supported by the leaders. It is based on behaviors in an organization. It could be both a positive and a negative for an organization, but always has an impact. It doesn't change easily and is built over time. HR plays the lead role in the development of the culture. Human Resource professionals have at their disposal many of the necessary levers to create, sustain and change corporate culture. HR of CPPA has been working to break the status quo and introduce a modern culture which, in future, can be the agent of change and have taken the cultural transformational initiative to institutionalize the corporatization of the organization. Following steps have been taken in order to change the culture of the organization:

1.-1. INFUSION OF CORE VALUES:

Under the guidance from CEO CPPA, the HR and the strategy departments have introduced the core values of the organization after consultation with the employees of the company in order to bring the ownership. These values are discussed at different forums and have been displayed in the building of the office at various places to make them more visible.

1.-2. CELEBRATION AND FAREWELL PARTIES:

HR has initiated to throw farewell parties for the employees who get retired and celebrate the departures of the people who are going on Hajj. Besides giving recognition to the employees for their life long service, this helps to reduce communication gap between the employees and

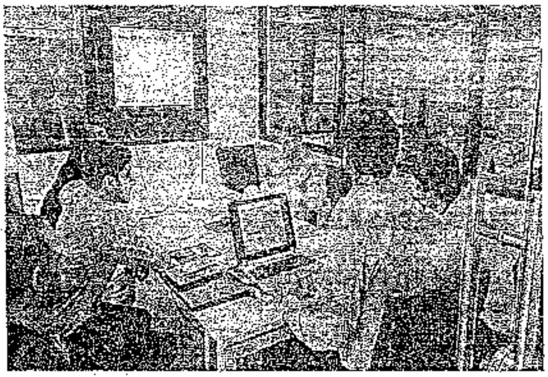


Bidding Farewell to Employees leaving for Hajj help them get comfortable with each other which contributes in the development of team building skills.

1.-3. INSPIRATIONAL STORIES:

Employees of CPPA-G are encouraged by sharing their stories of their professional journey in the newsletters. This not only gives recognition to them but also helps motivate the others.

1.-4. IMPROVING THE WORKING ENVIRONMENT:

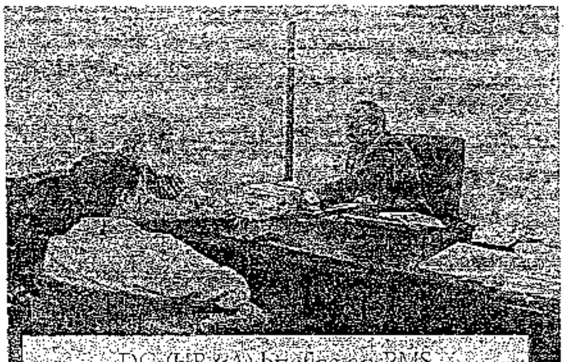


Most of us spend a huge proportion of our lives at work, so naturally it is important that we have a good environment to work in. The effects of work atmosphere on all aspects of a person's well-being is much further-reaching than most realize. Therefore, it is very important to have a peaceful and quiet environment at work. HR has significantly improved the working environment. This way, employees feel more motivated to work.

2. PERFORMANCE MANAGEMENT SYSTEM (PMS):

The PMS is a system to promote and improve the productivity of employees. Apart from measuring employee's performance, the main goal of PMS is developmental. CPPA has made significant progress in this regard. The PMS initiative was completed and implemented in FY 2017 and is described hereunder. The PMS initiative is divided in two phases:

2.-1. PHASE-1 (PREPARING INPUTS FOR PMS)



DG (HR&A) briefing on PMS

This phase included preparation of job descriptions with KPIs for employees, designing and preparing the competency framework and facilitating the process of preparing the balance scorecard for the company, CEO, n-1 and the levels below.

2.-2. PHASE-2 (THE PMS DESIGN AND IMPLEMENTATION)

This phase included designing and implementation of the PMS. It entailed the design of Performance Appraisal Report (PAR), the feedback mechanisms, the reward systems, the evaluation of various tools and techniques to measure performance and benchmark it, the training of the employees on the PMS, including the training on giving and receiving feedback.

The Post Description Questionnaires (PDQs) were distributed and the information was gathered about a position's current and next 2-3 years key deliverables, objectives and other relevant information. During FY2017, the PAR was based on the achievements made during the fiscal year and competencies of the individuals being appraised. After following a well throughout and consultative process the PARs were completed and further evaluated by the competent forum and final grading was awarded by applying a bell curve further discriminate performers from non-performers.

It is worth-mentioning here that increments for the next financial year have been awarded based on the final determined rankings from PMS. Moreover, it is also pertinent to mention here that for FY2018, the HR and Strategy Department of CPPA under guidance of CEO CPPA-G by following a thorough consultative process have finalized targets for FY2018 for all functional heads.

3. ORGANIZATIONAL RESTRUCTURING:

The organizational restructuring has two phases; (a) restructuring from HR perspective and alignment with current business needs and (b) restructuring from future business perspective i.e. to align the company with proposed new electricity wholesale competitive market. Both phases have been explained in the following paragraphs:

3.-1. PHASE-I: HR PERSPECTIVE - ALIGNMENT WITH CURRENT BUSINESS NEEDS

Central Power Purchasing Agency Guarantee Ltd. (CPPA-G), consisting of Ex-CPPA and WPPO, commenced its operations on 04-06-2015. During FY 2017, the organization has gone through a number of changes. Departments have been revamped and some new units like ERP, Strategy and Market Development have been created that are not only staffed but delivering on full swing. In addition the preparation and approval of HR Manual was also a landmark achievement that helped the company to attract, recruit, maintain and retain high quality Human Resource from the market. During this period CPPA-G has hired 8 senior and middle level managers, and 28 Management Trainees.

The mix of young and enthusiastic new hires from the market has brought a new energy in the organization. During Phase-I of organizational restructuring, the strategic restructuring process involved mainly (a) the preparation and approval of HR Manual (completed), (b) transition of Lahore based employees to Islamabad and revamping the office space. The operations of the entire company in the Federal Capital have brought significant improvements in company's operations., (completed) (c) staffing of key strategic C-level positions duly approved by the Board of Directors on contract basis (completed), (d) inducting management trainees to build capacity for the future (completed) and (e) inducting functional/technical consultants to help CPPA-G discharge its essential roles and responsibilities as laid down in the Market Rule and the Commercial Code (completed).

3.-2. PHASE-II: FUTURE BUSINESS PERSPECTIVE

As per direction by ECC and NEPRA under the market rules, CPPA-G with assistance from ADB consultants by following a thorough consultative process has proposed a Competitive Trading Bilateral Contract Market (CTBCM) market model and CTBCM roadmap / plan. During June 2017, the model and the plan was presented before the CPPA-G for its consideration and onward submission to the competent forum to approve it.

In the CTBCM roadmap, there have been seventeen group action proposed against all market participants and service providers, amongst which one is the restructuring of CPPA to avoid the internal conflicts of interests. In order to avoid conflict of interest and ensure transparency, CPPA-G will require a significant restructuring of the organization, the business processes and the supporting IT systems. To ensure a smooth transition into the CTBCM environment, the CPPA G will restructure itself into two separate business units representing the Market Operator (MO) and Special Purpose Supplier (SPS). Another independent service provider, the Independent Auctions Administrator (IAA) has also been proposed to be created.

The strategy proposed is to initially operationally separate CPPA into these entities and then go for legal separation. Once created, while still reporting to the CEO CPPA G the new units will work independently of each other, and once both of these units are capable of performing individually, these units will be legally separated. The proposal of restructuring was submitted to the Board of CPPA-G and was approved.

In anticipation of the approval of the market model and the plan, CPPA with its consultants have already initiated the detailed design under this action.

4. HR MANUAL AND POLICIES:

CPPA-G is an employee centered organization. The HR manual was designed by taking the same into consideration and has been approved by the Board. HR manual covers the subjects related to recruitment and selection, pays, allowances and benefits, attendance, working hours and holidays, promotions, recruitment procedures, training and career building. Recently, the Gratuity Fund (GF) and Hajj Policy have been made more flexible. Now all the employees are eligible to avail benefits from GF policy and can take leaves for Hajj.

5. ERP MODULES FOR HR:

There are total four modules in the ERP relating to HR and these modules have been divided into two phases. Following paragraphs explain these phases:

5.-1. PHASE I:

This phase entails two modules:

a) **Core HR:** This module has more than 42 core functions of HR incorporated in it. Some of these are recruitment processes, approvals/disapprovals of claims (TA/DAs, reimbursements etc.), transfers and postings, trainings and records etc.

b) **Payroll HR:** This module has the data of the payrolls of the employees.

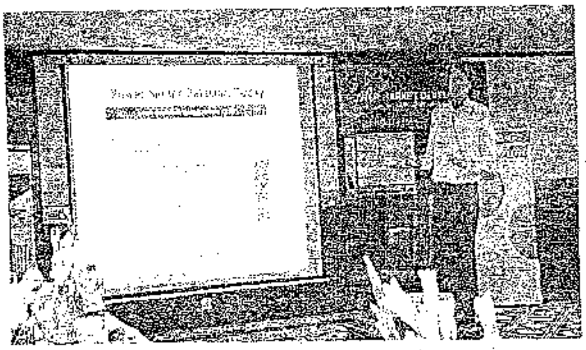
Phase I has been completed and it is in the testing phase. Currently, it has the data for 118 employees that are being tested. These modules are planned to go-live on 21st Aug, 2017.

5.-2. PHASE II:

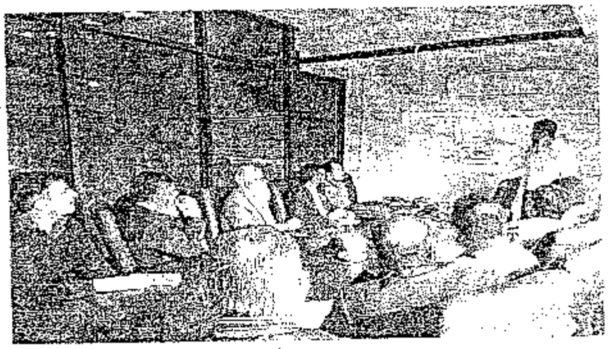
This phase will start in January 2018 and will last for six months. During this phase PMS and Self-Service HR will be incorporated in the ERP system.

6. TRAININGS AND CAPACITY BUILDING

Series of capacity building sessions and trainings have been made successful by the support of HR. A number of trainings on market development were conducted by engaging world class resources. Three intense sessions of trainings on market development were delivered for participants from NEPRA, NTDC and NPCC, MWP and CPPA-G during November and December 2016 which were organized and facilitated by HR. In addition to this, HR has also organized a number of trainings and capacity building sessions for ERP. Moreover, the plan for companywide training and development program for young, middle and senior management to meet the imminent challenge of CPPA-G as market operator has been finalized for FY2017-18.



April 2017: A workshop on competitive power markets



March 2017: ERP Capacity Building Session

7. OTHER ACHIEVEMENTS:

Following were the miscellaneous HR achievements for the FY 2016-17.

- The 124 employees under BTA were repatriated to their parent company i.e. NTDCL. Their complete record including service books, LPCs, personal files, acquisition files etc. was handed over to NTDCL successfully.
- Different Cadres employees of CPPA were granted promotions to their next Grades.
- Vacant positions of different cadres of CPPA were filled in by the suitable candidates possessing qualification and experience effectively and transparently through open market competition. Director General HR, Chief Information Officer, Manager (IT), 04 No. Dy. Manager (Technical), 04 No. Dy. Manager (Finance), Network Administrator, Technician (ERP), 28 No. MTOs and almost 52 employees for low level on daily wages were recruited and pending vacant posts have already been advertised and in pipeline of recruitment process.
- Commencement of EOBI, Provident Funds, Gratuity for employees so to secure the future of employees and their families.
- HR Department has initiated the process of hiring of services of insurance Company for Group Life Insurance and health insurance of employees.
- Established recruitment procedures.
- Maintained records of all staff.
- Devised mechanism of handing employees' grievances and disciplinary issues.
- Developed employees' code of conduct and employees hand book.
- Handled the audit paras raised by respective ministers and audit bodies.
- Event Management for training, seminars and other official meetings.

Annex-L

Central Power Purchasing Agency Guarantee Limited

A Company of Government of Pakistan

CPPA

CPPA-G/2017/CEO/SMD/ 9079

November 23, 2017

The Registrar,
NEPRA Tower,
Ataturk (East), G-5/1,
Islamabad.

Subject: Compliance of NEPRA's Direction in the Determination of Market Operator Fee for the Period June 2015, the FY 2015-16 and FY 2016-17

Ref: NEPRA's Determination vide letter No. NEPRA TRF-366/CPPA-G-2016/198-200

This is with reference to the aforementioned determination of the Authority, pertaining to Market Operator Fee of CPPA-G for the period June 15, FY 2015-16 and FY 2016-17. The compliance related to the progress report for second and third quarter of 2017 regarding Market Development mentioned in section 43, clause 1.1 of the Determination, has been attached. (Annex-I).

(Omer Haroon Malik)
DGM Strategy and Market Development

C.C for Information:

- Chief Executive Officer, CPPA-G
- All functional heads of CPPA-G
- Company Secretary, CPPA-G
- Master File

Transparency

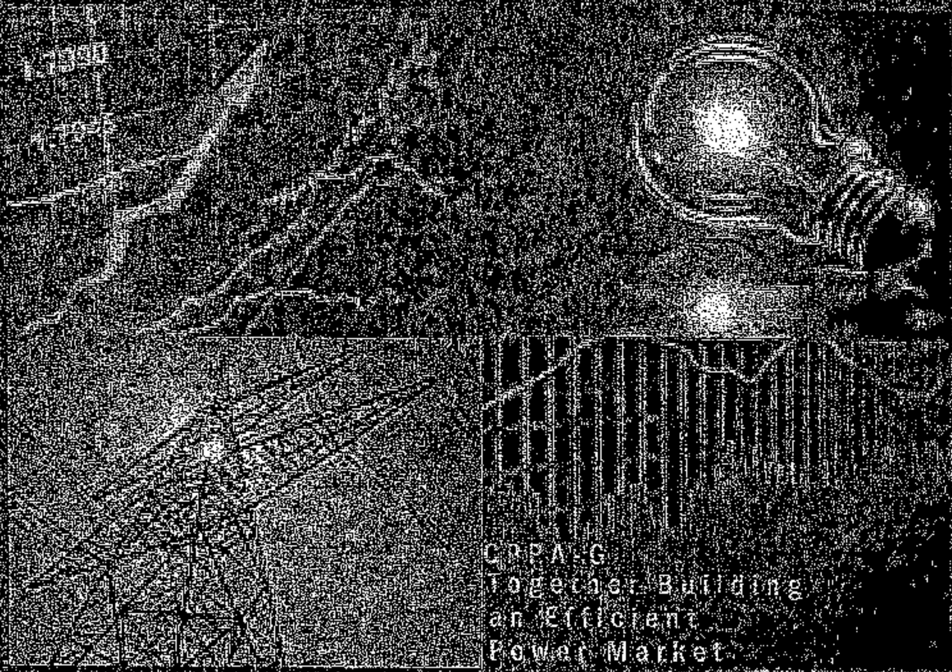
Excellence

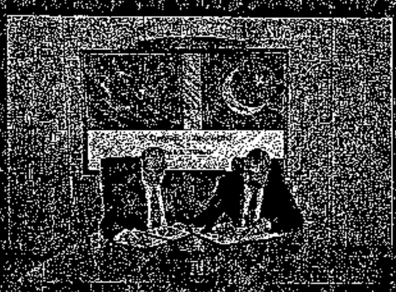
Teamwork

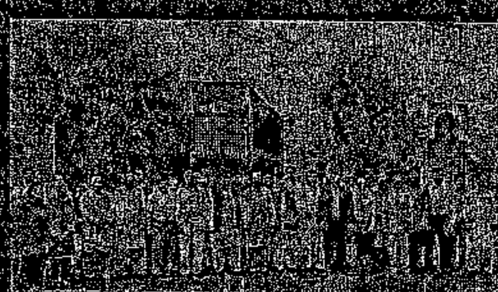
Be Respectf

CPPA Strategy and Market Development Department

Progress Report 3rd -4th Quarter 2017







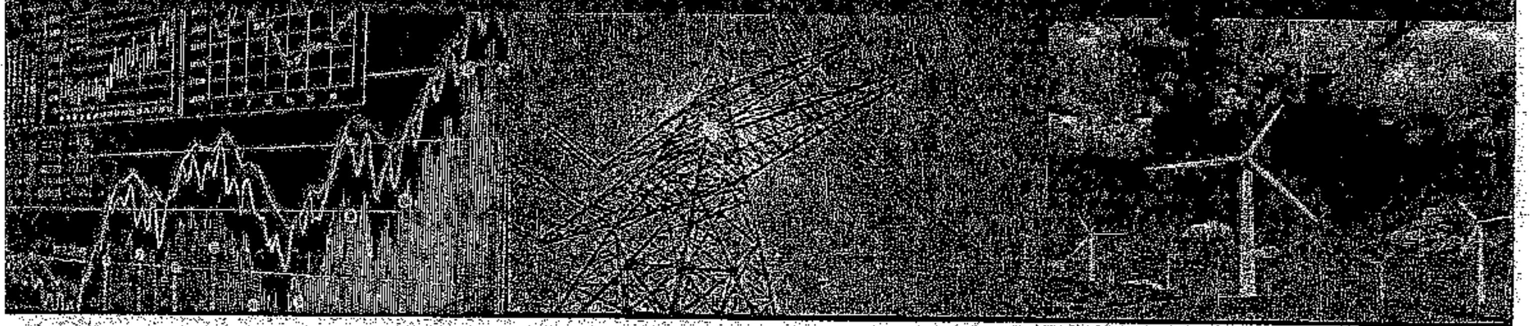
Fax 051-5243617

Our Vision is to become a world-class power Market Operator by providing the optimum environment for trading electricity in the Pakistani Power Market.

Our Mission is to become one of the best-run public organizations in the world, a place where people love to work, developing capacity of stakeholders and providing systems, tools and processes for enabling a transparent and competitive power market. During the transition period, our company will also procure the required energy on behalf of the Distribution Companies for retail sales to their customers transparently and efficiently

Our Core Values

Transparency – Excellence – Teamwork- Be Respectful



Contents

ACRONYMS

CPPA-G	Central Power Purchasing Agency Guarantee
CTBCM	Competitive Trading Bilateral Contract Market
DISCO	Distribution Company
ECC	Economic Coordination Committee
EMRA	Energy Market Regulatory Authority
EPEX SPOT	European Power Exchange
EPIAS/EXIST	Exchange of Istanbul (Turkish Market Operator)
FY	Fiscal Year
KE	Karachi Electric
MO	Market Operator
NEPRA	National Electricity Power Regulatory Authority
NTDC	National Transmission and Despatch Company
NPCC	National Power Control Center
SMD	Strategy and Market Development
TETAS	(State owned wholesale company of Turkey)
ToR	Terms of Reference
TSO	Transmission System Operator

1- STRATEGY AND MARKET DEVELOPMENT DEPARTMENT

1.1- PREAMBLE & PURPOSE

Preamble: CPPA-G is the Market Operator (M.O) in the Power Sector of Pakistan. Being M.O under the current single buyer market model, apart from providing key centralized services of billing and settlement, payments, power procurement on-behalf of DISCOs, the company has been mandated by Economic Coordination Committee (ECC) to play a central role in developing a competitive power market by mid of 2020.

During the next three years the company will strive hard for not only to build its internal capacity in-terms of people, processes and technologies but also assist the other power sector entities to become partners during this journey.

The department of Strategy and Market Development (SMD) was formed in CPPA with the aim to (a) work with external stakeholders to propose a competitive market model for the wholesale market model and the plan for which the mandate has been given by Economic Coordination Committee (ECC) to CPPA-G and (b) work with internal stakeholders of the company and assist CEO CPPA in preparation and implementation of the mid-term Strategic Plan and later the annual business plans. The SMD has been working on the development of the Competitive Trading Bilateral Contract Market (CTBCM) Model and the Plan through a consultative process by taking into account the following objectives: (a) objectives established by the Government of Pakistan and (b) the peculiarities of power sector of Pakistan including inflexibility of purchase agreements, the growing demand, lack of payment discipline etc.

The Market Development Strategy: The market development strategy was divided into the following three phases:

Phase I: This phase includes (a) Research and study of global competitive markets, (b) capacity building of market entities, (c) proposing the market model and TBCM Plan for Pakistan through a consultative process, (d) building strategic partnerships with Market Operators globally and (e) submission of the CTBCM Plan for obtaining approval. This phase was started in mid of 2016 and ended in June 2017. The CTBCM model and plan was submitted for approval and is in the approval process.

Phase II: Phase II is the detailed market design phase in which the complete design of the market model and CTBCM Plan will be developed. This phase started in July and the team is working on basic must do items while the model is being approved. This phase is envisaged to be completed by third quarter of 2018.

Phase III: During the implementation phase, all entities will implement the initiatives as per the approved timelines in the CTBCM Plan. This phase has also kicked-off in parallel with implementation of certain essential building blocks for any market to operate.

Currently, Phase II of the Market Model and CTBCM Plan is in progress and Phase III has been started in parallel which is anticipated to end by mid of 2020.

Purpose of this Report: As per ECC decision the goal is to have the commercial operations of CTBCM by mid of 2020. To be able to achieve the target commercial operational date 2020, the process has been initiated and has been divided into a number of phases. The purpose of this report is to inform the stakeholders and keep them updated regarding the progress that has been made in the market development. Also, this is a regulatory requirement that has to be complied. Therefore, through this report, SMD, CPPA-G is sharing the market updates from April 2017 to September 2017.

2- PROGRESS AND ACHIEVEMENTS

The developments, progress and milestones achieved in the 2nd and 3rd quarters of 2017 have been discussed in the following paragraphs:

2.1 Market Model and CTBCM Plan: Presentation before the Board

The **proposed Market Model and the CTBCM Plan was designed and developed** after extensive consultation with the stakeholders, and was submitted to the Board on July 13th, 2017. In its response the Board of CPPA-G had taken the following decisions:

1. Formation of Special Committee
2. Formation of Market Implementation Monitoring Group (MIMG)
3. Strategic Organizational Restructuring of CPPA-G

The decisions and the actions taken against them have been explained in the following paragraphs:

1. **Formation of Special Committee:**

   It was decided in the Board Meeting to form a Special Committee that will be represented by the Risk Management Committee of the Board of CPPA-G and will be led by Mr. Zargham Ishaq Khan. Further, it was decided that this committee will also include the representatives from Ministry of Finance and NEPRA. This committee will review the CTBCM Plan and provide the feedback. The model, after incorporating the inputs, will be submitted to the competent authority for approval.

   Special Committee has been formed under the leadership of Mr. Zargham Ishaq Khan. NEPRA has also submitted the nominations for the committee. The Market Model and the CTBCM Plan will be reviewed in the coming months and will be submitted to approving Authority for getting the approval.

2. **Formation of MIMG:**

   The Board of CPPA-G had decided that MIMG will be formed that would be led by Power Division, Ministry of Energy and CPPA-G will perform the executive role with an invitation to NEPRA to be part of the executive management function. The Group will include the members from all the stakeholders in the Power Sector.

The Terms of Reference (ToRs) of MIMG have been approved by Power Division of Ministry of Energy. Important functions that will be performed by MIMG include:

- Providing support to all stakeholders with specific roles in the CTBCM implementation
- Proposing solutions whenever implementation problems arise
- Preparation and dissemination information about the progress in the CTBCM implementation
- Organization and facilitation of capacity building programs
- Coordination with stakeholders

3. **Strategic Organizational Restructuring of CPPA-G:**

   The Central Power Purchasing Agency's (CPPA) current role is expected to change enormously owing to the significant redesign of the wholesale electricity market of Pakistan. This change will require some significant internal changes which have been approved by the BoD of CPPA-G and will be implemented accordingly.

   The restructuring plan for the organization was prepared and is being reviewed internally. Once finalized, the plan will be taken to the HR committee of CPPA's Board for approval and will be implemented thereafter.

2.2 Strategic Rebranding of CPPA-G

Among many functions, SMD is responsible to facilitate the CEO CPPA-G for the strategic development of the organization. In order to establish the strategic direction of the organization, the development of vision, mission and core values is of utmost importance. On 28th Sep, 2017, the vision, mission statement and corporate strategy/values were approved by the BoDs of CPPA-G, as follows:

1. **Vision:**

   To become a world-class power Market Operator by providing the optimum environment for trading electricity in the Pakistani Power Market

2. **Mission:**

   To become one of the best-run public organizations in the world, a place where people love to work, developing capacity of stakeholders and providing systems, tools and processes for enabling a transparent and competitive power market. During the transition period, our company will also procure the required energy on behalf of the Distribution Companies for retail sales to their customers transparently and efficiently

3. Core Values:
    - Transparency
    - Excellence
    - Team Work
    - Be Respectful

In addition to this, the new logo of CPPA-G has been approved by the BoDs:

2.3 Strategic Plan of CPPA-G FY2018 to FY2020

The Strategic Plan prepared by CPPA sets out key delivery strategies for CPPA in its role as Market Operator and Power Purchaser over the three years to 2020. The strategy is driven by our vision, mission, policy and regulatory obligations, market development, the capabilities of CPPA today and the market participants, and the provision of long-term benefits to Pakistani consumers.

This plan lays out what we are going to do, and the outcomes we seek over the three years. The outcomes in this document will not only help us to measure our progress but also inform annual review of the employees.

This three-year Strategic Plan (July 1, 2017 to June 30, 2020) will form the basis of CPPA's annual business plans. Specific initiatives to progress actions and achieve the desired outcomes will be set out in the relevant business plan.

Derived from our vision and mission statements are our 08 Strategic Targets for next three years:

1. Improve the current business operations and ensure adherence to existing business compliances
2. Develop healthy Corporate Culture
3. Invest in good people
4. Data institutionalization and publishing
5. Strengthen relationships with Market Participants and Service Providers
6. Design and facilitate implementation the wholesale Competitive Market Model
7. IT transformation of CPPA
8. Rebrand CPPA-G

Finally, the whole performance model rests on our four core values and we at CPPA believe that a high-performance culture can only be formed if we successfully operationalize our core values.

2.3 Strategic Partnerships

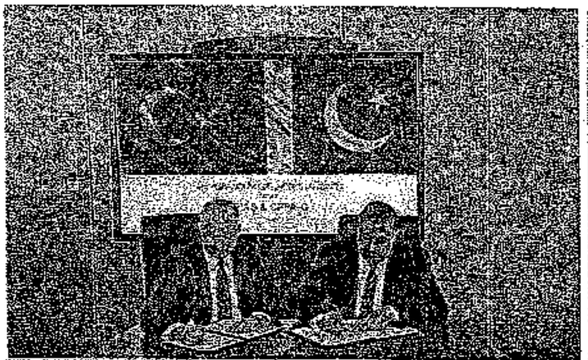
As the market models around the globe are (a) different from each other and (b) keep on evolving over-time. It is therefore very much necessary for CPPA-G to establish strategic partnerships with selected like institutions from different regions around the world for being able to be connected with transition happening and transfer of knowledge related to competitive markets. Also, establishing partnerships with like international institutions is also a requirement of the Commercial Code. As per the section 12, sub-section 12.1, clause VII, CPPA-G is mandated to 'Liaise with other international bodies having market functions similar to CPPA-G or administering competitive power markets'.

In this regard CPPA has already signed an MoU with EPIAS the Market Operator / Exchange of Turkey and is in the process of singing an MoU with EPEX-SPOT the European Power Exchange.

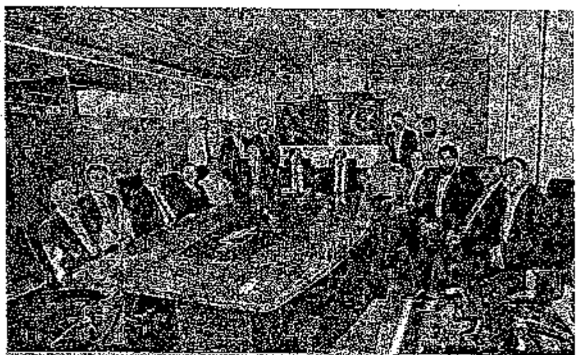
Signing MoU with EPIAS: CPPA-G and EPIAS-the Market Operator of Turkey, have signed an MoU on Aug 2nd, 2017 for collaboration in the power market development. MoU was signed between EPİAŞ and CPPA-G after the training program at the EPİAŞ headquarters in Istanbul. Following items were agreed upon in this MoU:

1. EPIAS shall provide consultation and advice to CPPA-G on the matters of market development.
2. EPIAS shall share the experience of Turkish market development with CPPA-G.
3. Capacity of CPPA-G shall be built through trainings, exchange programs, internships and likewise.
4. Sharing of public documents and information.
5. EPIAS will provide guidance to CPPA-G to build the strategy of IT and other aligned services.

EPİAŞ representatives, MENR, EMRA, TSO and TETAŞ experts, including CPPA-G CEO Abid Latif Lodhi and other delegates from CPPA-G participated in the signing ceremony.



MoU Signing ceremony between CPPA-G and EPIAS



Representatives from EPIAS, CPPA-G, EMRA, TSO and

Strategic Relationship with EPEX-SPOT: The European Power Exchange EPEX SPOT is the market place for short-term power trading in Germany, France, United Kingdom, the Netherlands, Switzerland, Austria and Belgium via its subsidiary EPEX SPOT Belgium S.A.2. CPPA-G is in the process of signing an MoU with EPEX-SPOT on the same lines as being executed with EPIAS.

2.3 Submission of Registration Application

As per Rule 5 of the Market Rules, CPPA-G shall be deemed to be authorized and registered as the market operator. Thus, for a period of two years from the commencement of the Rules CPPA-G has, by operation of Rule 5, been deemed to be the market operator and authorized and registered to conduct the market operations for this period.

In line with this, on April 12th, 2017, CPPA-G has submitted the registration application for getting registered as the power market operator of Pakistan.

2.3 Market Development: Assistance for DISCOs

In order to start the market, it will be imperative to build a market interface in the DISCOs with adequate capacity to participate in the competitive market. The identified areas where capacity is required to be build are legal, commercial, competitive markets, forecasting, contracts management, finance etc. To this end, the preparation of Medium Term Energy and Demand Forecasts as has been mentioned in DPC 5 of Distribution Code and envisaged in the CTBCM Plan.

However, these forecasts were not prepared for the last couple of years. CPPA-G (a) assisted the DISCOs in the preparation of medium Term and Medium-Term Energy and Demand forecasts and (b) provided on job training to DISCOs to enable them to prepare it independently in the coming years. CPPA-G is also providing assistance to DISCOs to institutionalize this function and provide an enabling environment for the preparation of these forecasts.

The assistance to DISCOs has been divided into three phases:

Preparation:

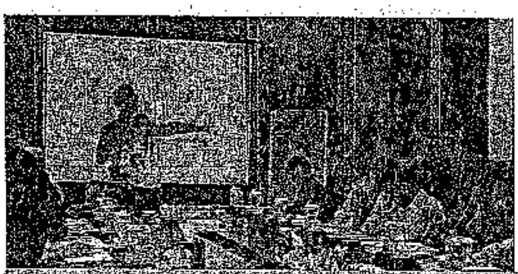
CPPA-G assisted all DISCOs in the preparation of the PMS based medium term forecast for the year 2015-16 and provided training to DISCOs staff to enhance their capacity regarding demand forecasts. The draft reports were prepared by DISCOs through CPPA's assistance and later approved by DISCOs before submission to NEPRA. After getting approval from the DISCOs, the forecasts for DISCOs were finalized and a consolidated country level forecast was prepared. These individual DISCO forecasts and the consolidated report was submitted to NEPRA for regulatory approval on Aug 22, 2017.

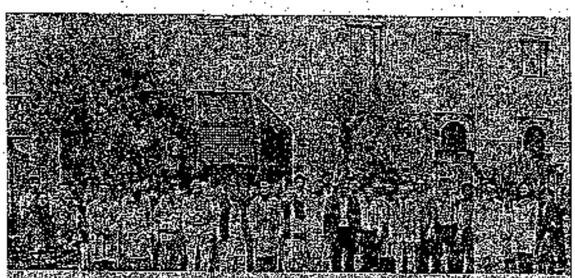
Transition:

During this phase, CPPA-G is undertaking a capacity building program for DISCOs in order to enhance their capacity in terms of people, process and technology to enable them to prepare these forecasts independently. For this purpose, series of trainings were carried out, training manual have been prepared and restructuring is being thought-out.

One important to highlight is the Energy and Demand Workshop, was conducted to give a brief introduction of regulatory framework and compliance to the DISCOs and to put emphasis on the importance of Energy and Demand Forecasting. During the session, training was provided on forecasting techniques and data collection methodology was discussed.

During this workshop, it was decided that specific formats shall be developed by CPPA-G for data sharing among various entities. The formats have now been finalized and will be submitted to NEPRA for the regulatory approval.


Dr. Shahab Qureshi delivering the Energy and Demand Forecasting Workshop


CEO CPPA-G with the participants of the Energy and Demand Forecasting Workshop

CPPA-G has also developed a comprehensive training plan to provide on job trainings to DISCOs for the preparation of the medium term forecast. An operational manual has also been developed for the Power Market Survey (PMS) based computer model. The manual will also be shared with the DISCOs during the training sessions.

Monitoring:

By this time, CPPA-G envisages that DISCOs will be fully equipped to perform the function on their own. However, CPPA-G will monitor and provide guidance to the DISCOs regarding the preparation of these forecasts and eventually the transition will complete after this phase.

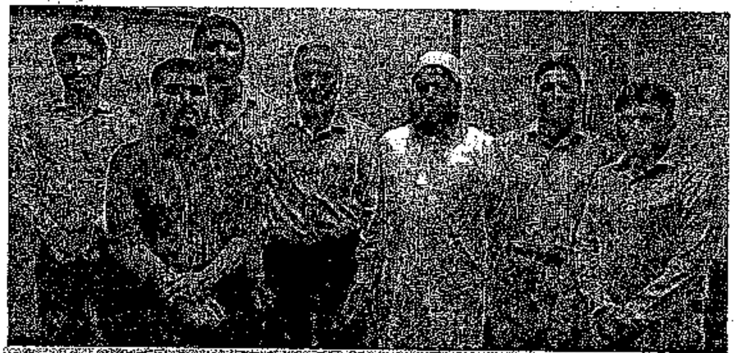
2.3 Market Development: Assistance for NTDC

As stated earlier, market interface needs to be developed for the commencement of CTBCM. An important aspect of the efficient power market is the accurate planning forecast as has been stated in the OC 4.3.3 and PC 4.2 in the Grid Code. The PC 4.2 of the Grid Code includes two types of plans; Indicative Generation Capacity Expansion Plan (IGCEP) and Long-Term Energy and Demand Forecasts. To meet this regulatory compliance, CPPA-G has been providing assistance to NTDC.

For IGCEP, CPPA-G has hired an individual consultant, Mr. Abdul Razzaq Khan, having an experience of 34 years of Generation Planning. NTDC has assigned 3 resources form Generation Planning Department who will work closely with the consultant and will be trained on-job to be able to perform the task of generation planning independently. NTDC has the target to complete and submit the draft for approval by March 2018 before the regulator. The assistance has been divided into three phases; (i) Preparation assistance, (ii) Transition, (iii) Institutionalization. These efforts intend to equip NTDC with the necessary abilities to be able to perform the function on their own.

The other assistance, CPPA-G has been providing NTDC is regarding the preparation of Long Term Energy and Demand Forecasts. For this function too, NTDC has provided three resources from the forecasting department to work closely with the consultant and his team hired by CPPA-G. The long term forecast will be submitted by NTDC to the Regulator during the last quarter of 2017. This assistance has also been divided into three phases; (i) Preparation assistance, (ii) Transition, (iii) Institutionalization.

In the first phase, both on job-training and classroom training are in process. CPPA-G has also purchased a training tool from Harvard Business School for the team and has been utilized to further strengthen the concepts of long-term forecasting.



NTDC's Team working with CPPA-G for Generation Planning and Long Term Demand Forecasting

2.4 Market Development: Assistance for NPCC

System Operator and Market Operator are two pillars of the power market. One entity looks after the technical aspects and the other is responsible for the commercial aspects and both of the entities work closely for the operation of the market. Therefore, it is very imperative for the System Operator to be fully equipped to perform efficiently. For this purpose, CPPA-G on the direction of Power Division, Ministry of Energy and with the approval of MD, NTDC, has developed a draft high level plan to strengthen the SO. The detailed assessment was done, requirements were gathered and the feedback was taken which will be incorporated in the plan.

In addition to this, a workshop on the simulation tools was conducted for NPCC. It was a two day workshop, conducted at NPCC office Islamabad, where the basics of modeling, optimization of model for dispatch, input data and modeling tools were discussed.

Moving forward, once the plan for SO is approved, its implementation will start and will end by the commencement of the market.

[illegible] Workshop on Simulation Tools at NPCC

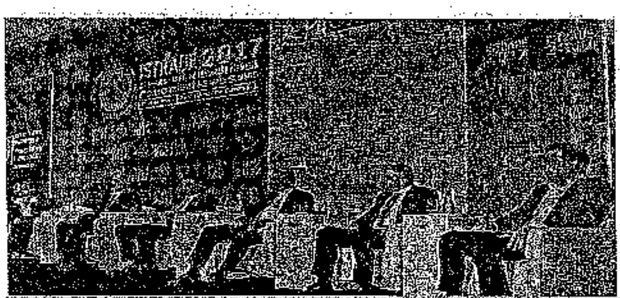
2.5 Market Simulations:

A simulation is a simplified description, especially a mathematical one, of a system or process, to assist calculations and predictions. The power system decision makers need to be able to predict the functioning of the system in the times to come in order to assist the technical and financial planning processes. Simulation is done in short, medium and long term horizons. Short term is used by System Operator for dispatch, medium term is used by Market Operator and long term is used by Network Operator.

One run of simulation has already been completed and is in the process of evaluation. After weighing and fine tuning it, the second run of simulation will be done for the market. Moreover, SMD is in the process of assessing the simulation tools that will be procured in the coming months for the three entities covering the three horizons.

2.6 Participation in ISTRADE'17:

CPPA-G was invited to attend ISTRADE 2017 in Istanbul, Turkey. ISTRADE is a unique platform in the field of energy trading and supply. The trade issues, current developments, anticipations and the future of organized markets were discussed. The countries all across the globe had participated in the conference. A delegation consisting of two individuals from CPPA-G attended this conference.



[illegible] ISTRADE 2017

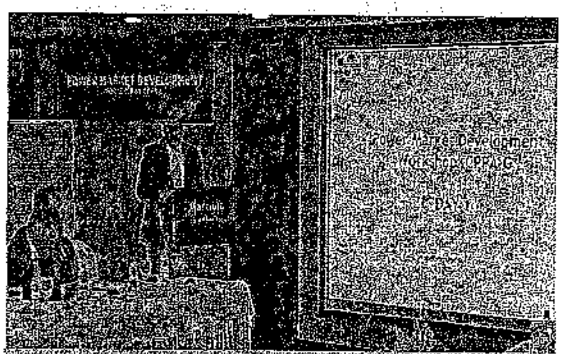
CPPA-G delegation with CEO EXIST

2.6 Consultation Workshops:

SMD department of CPPA-G has conducted three consultation sessions with the stakeholders and market participants during the last quarter of 2016 and the first quarter of 2017. The purpose of these sessions was to get the feedback on the market model and take into account the concerns of the participants. The following paragraphs briefly discuss the timings and the participants of these sessions.

The first such session was conducted at Marriott during the April 4, 2017 to April 7, 2017. It was a four day training workshop on market development followed by the consultative workshop. This session was attended by the participants from NEPRA, CPPA-G, DISCOs, KE and NTDC. It was an interactive session and a detailed discussion regarding the design of the market model, followed by the question answer session took place.

Question Answers Session during the Consultation Workshop

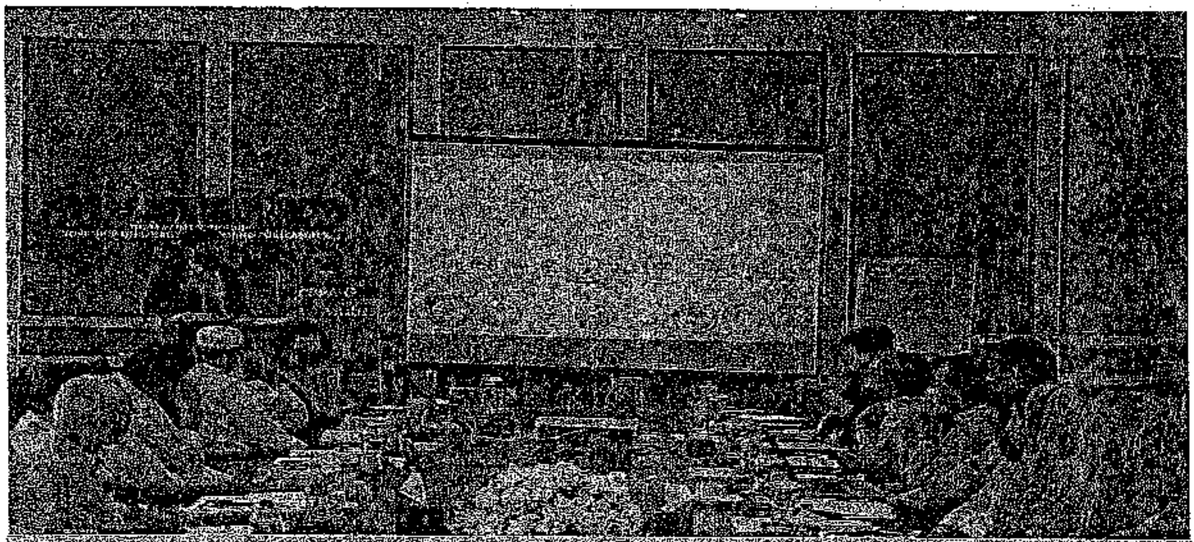


CEO CPPA Explaining the Mode of Transition during the Consultation Workshop

The second consultative workshop was held at CPPA-G's office. GM NPCC, CE NPCC and other members from NPCC attended this session. Market model was discussed in detail and the input and feedback was taken.

Consultative Session with NPCC

Third session was held in the month of August'17 after the Energy and Demand Forecasting Workshop. The session was attended by the participants form DISCOs, NPCC, KE, NEPRA and CPPA-G. In this session, the market design was briefed once again and the inputs were taken.



Consultative Workshop conducted by CPPA-G

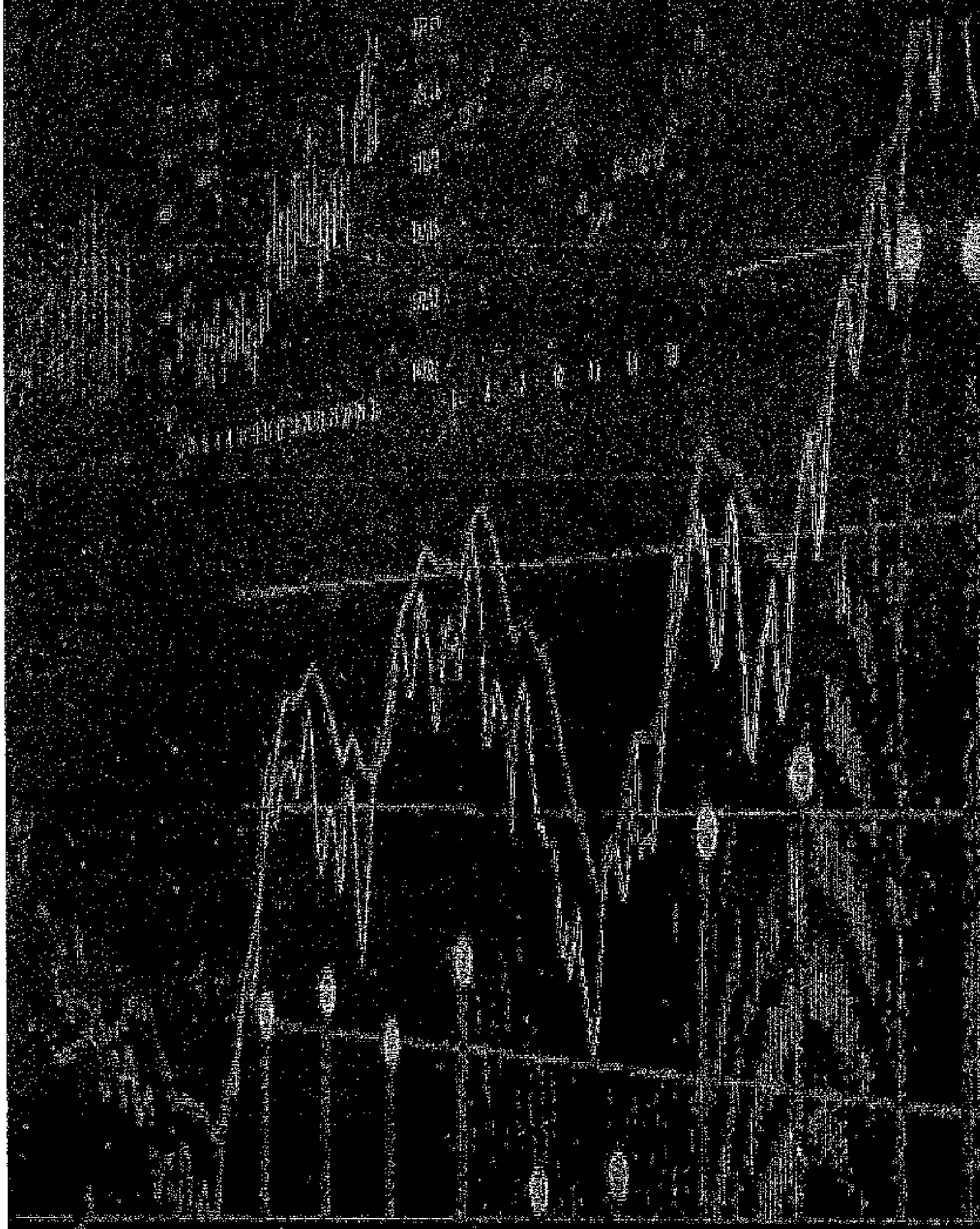
3- WAY FORWARD

In the coming months, following activities have been planned for the market development:

1. **Notification of MIMG:** All the stakeholders will be notified regarding the formation of MIMG. Also, the nominations from the relevant bodies will be requested.
2. **Meeting of Special Committee:** The first meeting of the Special Committee will be called in near future to start the review of the model which will then be submitted for approval.
3. **The Detailed Design** will be carried-out in full swing.
4. **Visit of EPIAS to Pakistan:** The visit of Turkish Market Operator has been planned to Pakistan in December 2017. During this visit, further consultative sessions will be held with CPPA-G. Moreover, a workshop will be conducted for the power sector entities of Pakistan, in which the transition of Turkish Market Operator and the Turkish Power Market will be discussed in detail and the proposed market model of Pakistan will be discussed. In addition to this, IT teams of both organizations will meet to discuss the IT strategy of the company.
5. **Training Workshops:** A series of training sessions on the Power Purchase Agreements have been planned. First session will be conducted in the next quarter. The purpose of these sessions would be to build the legal capacity of the sector. In addition to this, a training plan has been developed for the Energy and Demand Forecasting. It will also start in the coming months.
6. **Further Consultations:** Extensive consultative sessions will be conducted with all the stakeholders from the platform of MIMG.
7. **Internal Restructuring:** The plan for internal restructuring will be taken to the HR Committee of CPPA-G to get the approval. Once approved, its implementation will start as per the plan.
8. **Strategic Plan for CPPA-G:** The approval of the strategic plan for CPPA-G for the next three years will be taken.
9. **MoU with** EPEX-SPOT has been agreed upon and will be executed.

Power Market Development

NEWSLETTER



Newsletter Summary:

Page 1
The context and overall strategy on Market Development is discussed here. It also highlights the vision, mission and core values of the Market Operator.

Page 2
The milestones achieved by CPPA-G so far in the power market development are shared. Also some information on competitive power markets is also discussed for the benefit of the readers.

Page 3
The way forward in market development and the expectations from the market entities are discussed. We have also shared the transition journey of Turkish Electricity Market.

Also in this edition we have shared two stories from our staff expressing their feelings about our Company's Culture.

Happy readings!

CPPA- Pakistan Electricity Market Operator

First Quarter, 2017: Volume-1

Email: info@cppa.gov.pk Website: cppa.gov.pk Phone no: +92-51-9213616

OUR VISION

To become a world-class power market operator by providing the optimum environment for trading electricity in the Pakistani power market

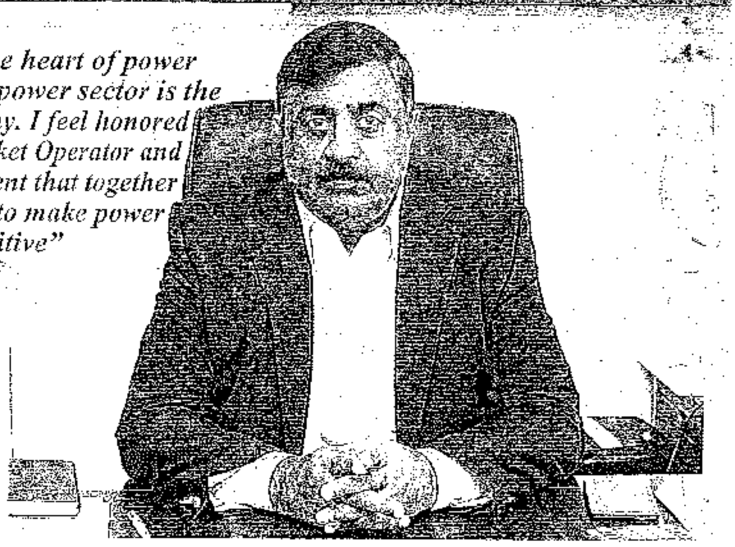
OUR MISSION

To achieve our vision we are determined to become one of the best-run public organizations in the world, a place where people love to work, developing capacity of stakeholders and helping improve the processes and procedures. During the transition period, however, our company will also procure the required energy on behalf of the consumers transparently and efficiently.

OUR CORE VALUES

- Transparency
- Excellence
- Teamwork
- Be-respectful

"CPPA-G is the heart of power sector and the power sector is the heart of economy. I feel honored leading the Market Operator and feel very confident that together we will be able to make power market competitive"



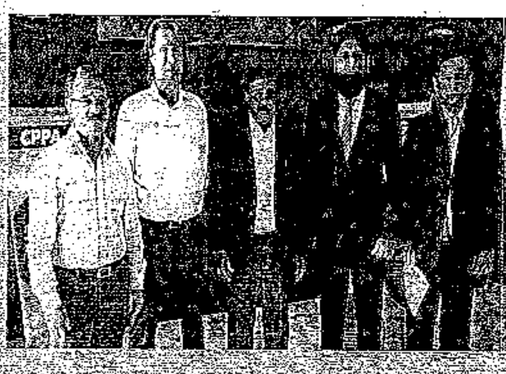
Strategy and Market Development

As per the mandate given by Economic Coordination Committee (ECC) and NEI the Market Operator (CPPA-G) is directed to facilitate the power market transitio competitive regime. For this purpose, Strategy and Market Development Departm of CPPA-G has been working with technical assistance provided by globally renov Consultants to achieve this goal. It's an inclusive process in which CPPA-G is perf ing a central facilitation role. The market development strategy has been divided in the following three phases:

Phase I: This phase includes (a) Research and study of global competitive marke (b) capacity building of market entities, (c) proposing the market model and Comp tive Trading Bilateral Contract Market (CTBCM) Plan for Pakistan through a cons tive process, (d) Building strategic partnerships with Market Operators globally and submission of the CTBCM Plan for obtaining regulatory approval.

Phase II: During this detailed market design phase each entity will work on the atives identified in CTBCM Plan.

Phase III: During this implementation phase all entities will implement the i tives as per the timelines approved by the Regulator in CTBCM Plan.



In the Picture: From Left to Right

- Mr. Roberto (Market Development Consultant CPPA)
- Mr. Kasper (Training Consultant CPPA)
- Mr. Abid Lodhi (CEO CPPA)
- Mr. Omer Haroon (Manager Strategy and Market Development CPPA)
- Mr. Noman Rafique (Company Secretary CPPA)

SOME KEY POINTS

Why Transparency?
Because transparency is a fundamental pre-requisite for attracting investors on a risk sharing basis and opening up the market.

Why Excellence?
Because we want to ensure excellence in everything we do. The Market Operator is a mentor organization that plays the role of a guide to help develop the market and its stakeholders.

Why Teamwork?
We believe that market development is a collective effort and requires teamwork within and outside CPPA-G boundaries with the market entities.

SINGLE-BUYER

ngle-buyer market is the arket where there is only ne authorized buyer Monopsony).

SINGLE-BUYER PLUS

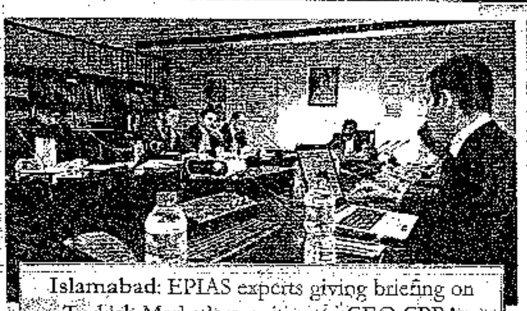
n single-buyer plus model, ilateral contracts between articipants (buyers and ellers) co-exist with the entral single-buyer.

WHOLESALE MARKET

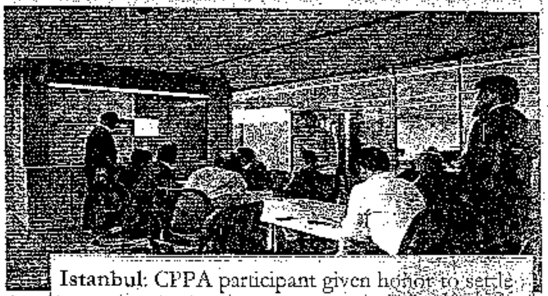
here are multiple buyers and ultiple sellers in the whole- ale market. The wholesale arket establishes platforms, ystems and mechanisms that llow sellers and buyers to ade electricity.

BILATERAL CONTRACTS

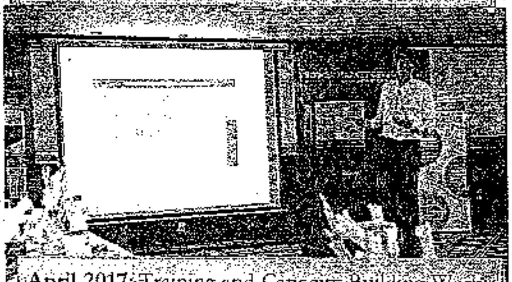
ilateral Contract is a recipro- al arrangement directly be- ween buyer and seller with- ut the involvement of any hird party.



Islamabad: EPIAS experts giving briefing on Turkish Market's transition to CEO CPPA

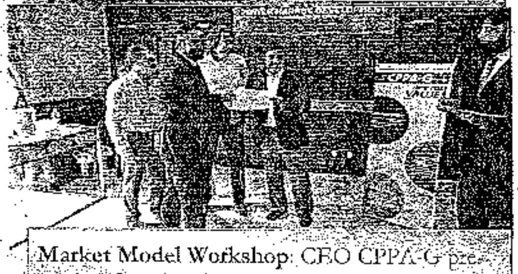


Istanbul: CPPA participant given honor to settle whole Turkish Market with click of a button



April 2017: Training and Capacity Building Workshop Organized by CPPA-G

March 2017: Consultation session on the proposed Market Model with DISCOs



Market Model Workshop: CEO CPPA-G presenting Certificate to delegate from NERPA

K-Electric and CPPA-G participants during market development workshop

Market Development Activities: Some Key Achievements

- Forming the market development team in CPPA-G
- Engaging reputable market development MRC consultants and training partners Maycroft
- Extensive research and progress that resulted into development of the proposed market model and CTBCM Plan
- Market Development an inclusive process:
  - Conductive numerous proposed market model consultative workshops
  - Conducted four trainings through international consultants
  - Conducted an international exchange involving key Power Sector entities
- Establishing the strategic partnership with Turkish Market Operator (EPIAS)
- Becoming the member of full-time Association of Power Exchange (APEx)

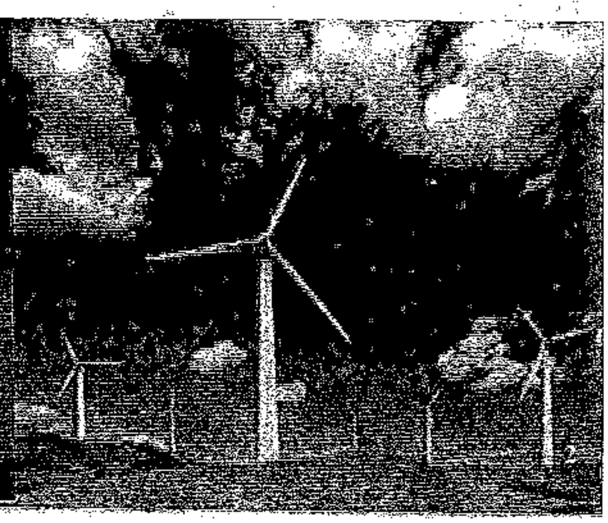
What are the Objectives for Making a Market Competitive?

he objectives pursued for such ansformation always includes the llowing:

- Security of Supply
- Efficiency improvements
- Appropriate energy prices
- Move away from Sovereign guarantees
- Progressive de-carbonization

Why Now?

In competitive markets the risks are shared between the multiple buyers and the sellers. Pakistan is transitioning from a demand dominated regime (in which demand is more than supply) to a supply dominated regime. This is the right time to open the market for incremental competition overtime.



Turkish Electricity Market

Turkey was a country that hugely relied upon the foreign investments for its economic growth. The Turkish government and banking systems lacked the financial means to support meaningful economic development. The budget deficits swelled and it led to the serious financial crisis in 2001. This financial crisis pushed the investments away from the country including the investments in the power sector. This situation fostered liberalization of the power market, seeking for attracting investments and help the stabilization of the sector.

Turkish Electricity Corporation (TEC) was the vertically integrated utility that was unbundled to form Generation and Transmission Corporatio (TEAS) and Distribution Company (TEDAS). TEAS was further unbundled to form Electricity Generation Corporation (EUAS), Turkish Elec tricity Transmission Company) and TETAS (Turkish Electricity Trade and Contract Corporation). Till 2001, these were the important players o Turkish Electricity Market. Electricity Market Law was introduced in 2001 which aimed at ensuring the establishment of financially sound, stabl and transparent electricity market operating under the competitive environment. After the introduction of this law, the competitive regime in T key began to form shape.

By 2009, balancing and settlement applications had launched, day ahead planning and balancing power market had started. Two years later, in 2011, Day Ahead Market was launched. For 4 years, Day Ahead Market functioned in parallel to Balancing Market. Then in 2015, Intra-day Ma ket was also opened for operation.

Till 2015, Market Operator was the part of the system operator. However, in 2015 it was separated and EPIAS, the Market Operator of Turke was established. In the same year, TEDAS was divided into 21 separate distribution companies. Currently, there is one network and system ope tor in Turkey. Market Operator is a private and independent entity. There are 21 distribution companies, public and private generators and one regulator in Turkey.

WAY FORWARD

Expectations from Stakeholders

The Market Development and Implementation Team i.e. (CPPA-G, DISCOs, K-Electric, NTDC and other key market entities) will work together with full commitment and passion to ensure a smooth transition.

Future Plan

Now after conducting several consultative workshops the CTBCM Plan will be submitted to NEPRA for approval.

Next Phase of Market Development (Detailed Design Phase)

In May of 2017, the market development will be entering into the detailed design phase during which the initiatives identified under CTBCM Plan will planned and actions will be taken. For instance study of the key market documents (Grid Code, Commercial Code, etc.) will be studied in detail for alignment with the proposed market model by the respective entities.

Stories from Our Team on our Culture

"I was working with a public sector company before joining CPPA-G. I fo remarkable difference in the work environment of two public sector organi tions. CPPA-G's culture is team oriented, caring and robust. Even the seni most management addressed my queries and concerns. Plenty of opportuni for growth and development have been provided in less than one year. I an intrinsically motivated to give my best to CPPA-G and the country."

Mannan-ul-Haq : Managment Training Officer (Finance)

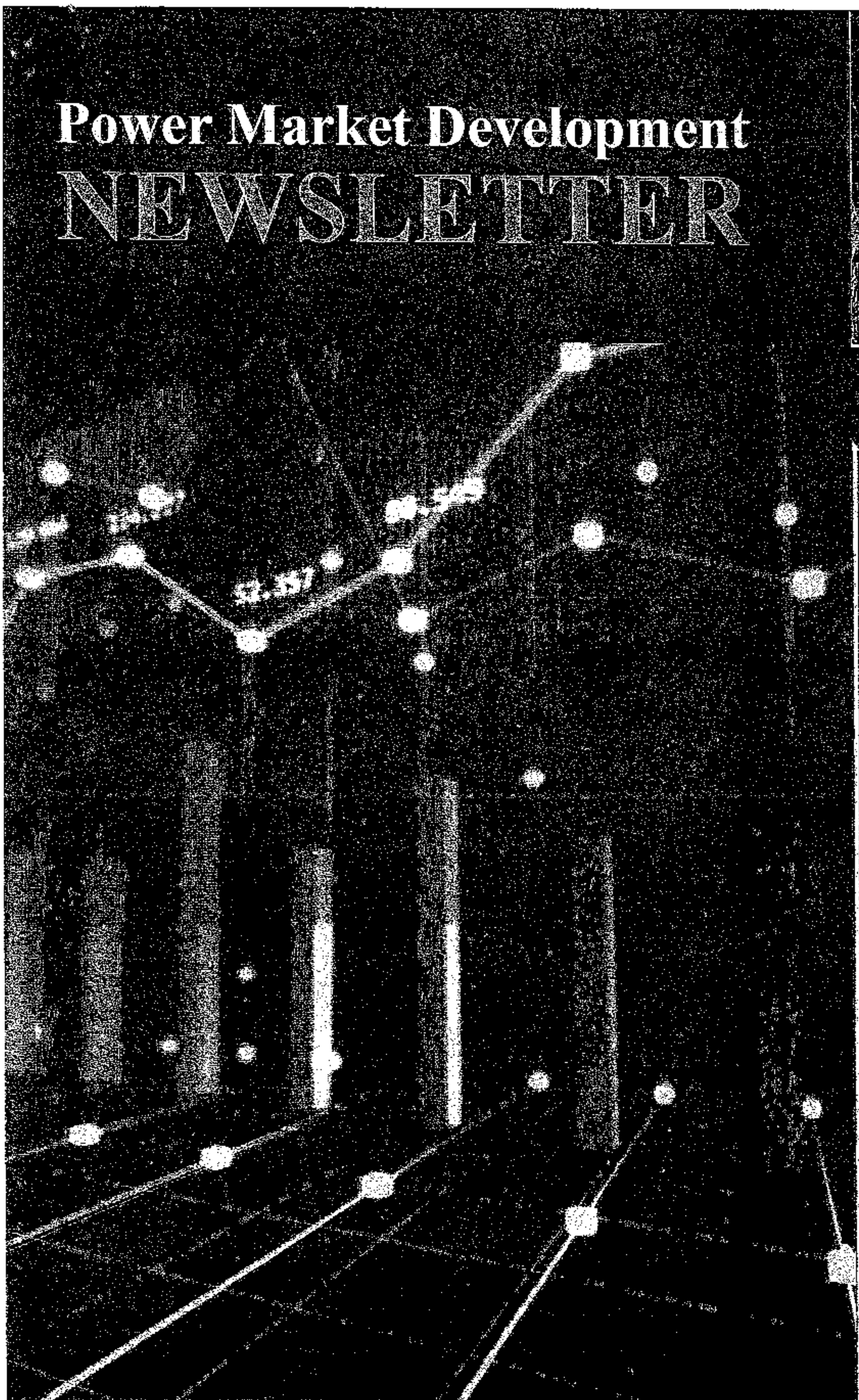
"Having worked in the private sector throughout my professional career, th decision to switch to a public organization was a bit challenging, but my firs interaction with CPPA during interview made me believe that this company be different. The work culture that I found here was completely different fr the perception of public sector organizations. I have found the leadership v helpful and like mentors. I am part of the market development team and is deeply involved in developmental activities. In past one year I have learnt a and now geared-up to deliver in next phase of market development"

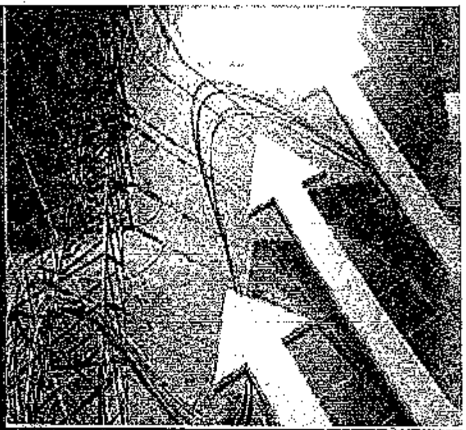
Nida Mukhtar : Managment Training Officer (Market Development)

Our Market Development Team

From Left to Right: Mannan ul Haq, Atif, Roberto, Kasper, Abid Lodhi, Omer, Nida, Omama & Abrar

Power Market Development NEWSLETTER





Newsletter Summary: This edition covers market development activities for 2nd & 3rd Quarters of 2017.

Page 1
This page shares the status on the new proposed wholesale market model and Plan to implement it. Also, discussed here are CPPA's market development efforts. The page also shares the vision, mission and core values of CPPA-G.

Page 2
In order to start the market, there are certain interfaces that need to be built which will include the legal, technical and commercial aspects. Therefore, CPPA-G has been providing assistance to the important power sector entities in the aspects related to building the interface of the market.

Page 3
This page shares the views of the leadership regarding competitive power markets.

Happy readings!

CPPA- Pakistan Electricity Market Operator

Volume-2

Email: info@cppa.gov.pk Website: cppa.gov.pk Phone no: +92-51-9213616

Some key achievements

Market Model and the CTBCM Plan:

The Market Model and the CTBCM Plan was designed and developed after extensive consultation with the stakeholders, and was submitted to the Board on July 13th, 2017. The Board of CPPA-G had taken the following three decisions. The decisions along with progress are hereunder:

1. Formation of Special Committee:
   Special Committee has been formed to review and provide feedback on the proposed market model. under the leadership of Mr. Zargham Ishaq Khan (JS Policy & Finance)
2. Formation of Market Implementation Monitoring Group (MIMG) was approved:
   The ToRs of MIMG have been approved by the Power Division, Ministry of Energy and MIMG will soon be notified.
3. Strategic Organizational Restructuring of CPPA-G was approved:
   The restructuring plan for the organization is in the process of development. Once prepared, the plan will be taken to the Board committee of CPPA's Board for approval and will be implemented as per plan

Strategic Partnerships: Signing MoU:

CEO CPPA-G and EPIAS-the Market Operator of Turkey, have signed an MoU on Aug 2nd, 2017 for collaboration in the power market development. MoU was signed between EPIAŞ and CPPA-G after the capacity building program at the EPIAŞ headquarters in Istanbul. Following items were agreed upon in this MoU:

- EPIAŞ shall provide consultation and advice to CPPA-G on the matters of market development.
- EPIAŞ shall share the experience of Turkish market development with CPPA-G.
- Capacity of CPPA-G shall be built through trainings, exchange programs, internships and likewise.
- EPIAŞ will provide guidance to CPPA-G to build the strategy of IT and other aligned services.

CPPA-G Market Development: For the Sector

In order to start the market, there are certain interfaces that need to be built which include the legal, technical and commercial aspects. Therefore, CPPA-G has l providing assistance to the important power sector entities, in the aspects relate building the interface of the market

Assistance for the DISCOs:

Apart from being the responsibility of DISCOs, forecasting is a Market issue as well. CPP is providing the assistance in the preparation Medium Term Energy and Demand forecast informed future power procurement on-behalf of the DISCOs. The assistance includes (a the job training to all DISCOs, (b) preparation of forecasting manuals, and (c.) institutional provements support. In this regard, DISCOs, with the supervision of CPPA-G, have prep the forecasts and these 10 forecast reports along with one consolidated forecast report was mitted to NEPRA on Aug 22, 2017 for obtaining regulatory approval.

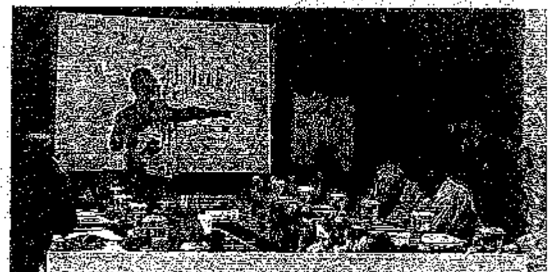
Assistance for NTDC:

CPPA-G has been providing assistance to NTDC for two avenues; (i) Preparation of Indica Generation Capacity Expansion Plan (IGCEP), (ii) Preparation of Long Term Energy and mand Forecasts, (iii) capacity building on these two areas and (iv) institutional improveme For IGCEP, all inputs for the model have been collected by NTDC and the first draft repo expected to be submitted by March 2018. For long term Energy and Demand Forecast, draft forecast report has been prepared and is expected to be submitted in the last Quarte 2017. Further, CPPA-G has conducted series of classroom training sessions and on-the training is a permanent feature.

Assistance for NPCC:

The System Operator (SO) and the Market Operator (MO) are technical and commercial pil of the market. CPPA-G on the direction of Power Division, Ministry of Energy and with approval of MD, NTDC, has developed a draft high level plan to SO. The detailed assessm was done, requirements were gathered and the feedback was taken which will be incorporate the plan. Series of capacity building sessions have also been conducted for SO on optimi dispatch.

Workshops:



Islamabad: Dr. Shahab Qureshi conducting the training on Energy and Demand Forecasting

1. **Energy and Demand Forecasting Workshop:**

Apart from discussing various techniques for short, medium and long-term forecasts, the Energy and Demand forecasting Workshop was conducted to give introduction of regulatory framework and compliance to of DISCOs and to put emphasis on the importance of Energy and Demand Forecasting.

2. **Workshop on Optimal Dispatch Tools:**

A workshop on the simulation tools for optimal least cost security constraint economic dispa was conducted for NPCC. It was two days workshop, conducted at NPCC, where the basics modeling, optimization of model for dispatch, input data and modeling tools were discussed .

FUNCTIONS

MARKET OPERATOR

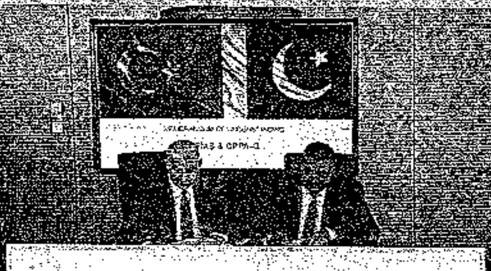
- Billing and Verification
- Financial Settlement and Payment
- Market Development
- Admission, suspension and cancellation of participants
- Power Procurement on behalf of DISCUs during transition

SYSTEM OPERATOR

- Non-discriminatory and transparent system operation, planning and dispatch services
- Reliable operational planning and coordination of maintenance outages
- Economic generation scheduling and dispatch

TRANSMISSION NEWORK OPERATOR

- Providing the transmission infrastructure
- Ensuring adequate economic transmission
- Preparation and Implementation of the system expansion plan
- Operation and maintenance of transmission assets



Istanbul: CPPA-G and EPIAS signing MoU

Istanbul: Delegates from CPPA-G, EPIAS, TETAS and EMRA during the MoU signing ceremony

CPPA Office: GM NPCC sharing his thoughts regarding the SO Strengthening Plan

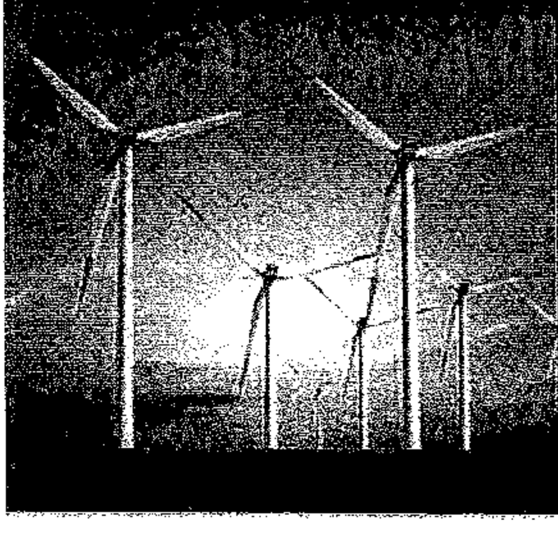
NPCC Office: Daniel Serrano delivering the workshop on Simulation Tools at NPCC

ISTRADE 2017: Delegates of CPPA-G with CEO EXIST during ISTRADE 2017

ISTRADE 2017: The panel of ISTRADE'17

Market Development Activities: Some Key Achievements Cont...

- Preparation and submission of Competitive Trading Bilateral Contract Market (CTBCM) Model Reports and Plan before the Board of Directors of CPPA. Also conducting numerous consultation sessions with the stakeholders and market participants were conducted on discussing and taking feedback on the proposed market model
- Establishment of Market Monitoring Implementation Group (MIMG) facilitate implantation
- Signing of MoU between CPPA-G and EPIAS Market Operator of Turkey
- CPPA obtained the membership of Association of Power Exchanges (APEX)
- 3-Workshops: An intense 4 days training on competitive power market development having participants from NEPRA, NTDC, NPCC, CPPA-G and KE. Forecasting Workshop was also conducted in order to institutionalize the function of Energy and Demand Forecasting among DISCOs, NTDC and NPCC. Another workshop on dispatch tools was conducted for NPCC
- PMS based Energy and Demand Forecasting reports have been submitted by CPPA-G on behalf of DISCOs to NEPRA for obtaining regulatory approval
- Preparation of SO Strengthening Plan with the assistance of and consultation with NPCC
- CPPA-G filed the registration application to NEPRA
- CPPA-G networked with like institutions in ISTRADE 2017 Conference in Istanbul
- CPPA has initiated its business restructuring by forming a well thought out plan



Functions of MIMG:

- Providing support to all stakeholders with specific roles in the CTBCM implementation
- Proposing solutions whenever implementation problems arise
- Preparation and dissemination information about the progress in the CTBCM implementation
- Organization and facilitation of capacity building programs
- Coordination with stakeholders

Composition of MIMG:

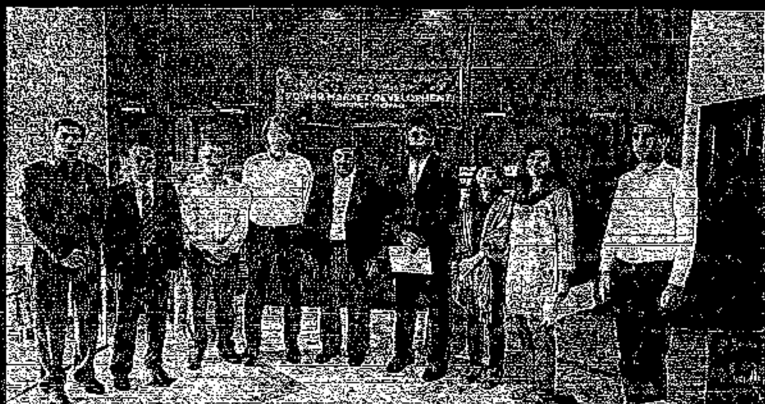
- MWP
- NEPRA
- CPPA G
- NTDC
- Discos
- GENCOs
- IPPs
- K-Electric

Our Leadership:

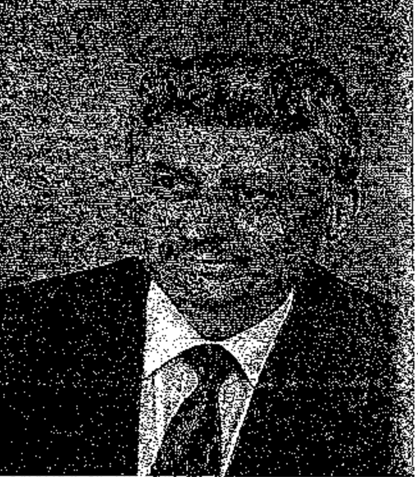
'The "National Power Policy 2013" was approved by the CCI to address the ke challenges of the power sector and to achieve the long-term vision of the power sec tor. One of the salient feature of the policy was creation of an competitive electricit market by moving from the single buyer model towards buyer plus and ultimately electricity competitive market. Consequently, CPPA-G, being central facilitating enti ty, is making all efforts for designing and developing a Competitive Marke Pakistan's Power Market is one of emerging markets of the region. I foresee that th competition in Pakistan's Power Market will not only attract investments in genera tion by reducing the burden of sovereign guarantees but will also provide energy se curity to the Country'

Zargham Eshaq Kha
Joint Secretary (Power/Finance
Ministry of Energy (Power Division

CPPA's Core Market Development Team



"We envision CPPA-G as an organization fully equipped with automated, integrated processes that enable easy and reliable access of data for informed and timely decision-making. All this will be made possible through the ERP implementation."
MOHAMMAD YOUNUS DAGHA, CHAIRMAN BOD



Building blocks for Innovation

through Enterprise Resource Planning Solution

It all makes sense.

"Best use of IT is fundamental for all business functions and business processes within the organization. The organization's processes automation and IT infrastructure primarily deals with the creation of an integrated enterprise IT environment that supports business needs, automate business processes and allows the company to quickly develop new processes and applications, consequently enabling timely response to the needs and requirements of stakeholders. Considering the crucial importance of automation in the growth of a company, CPPA-G has decided to implement ERP solution and build IT infrastructure to boost process integration, strengthen data accuracy, enhance work productivity, improve security of business information, and facilitate quick and accurate decision-making." ABID LATIF LODHI, CHIEF EXECUTIVE OFFICER

ENTERPRISE RESOURCE PLANNING

Supply of (ERP Licenses & Media), Installation, Implementation, Training & Support (Product and Onsite) of a Tier 1 (SAP, Oracle or equivalent) commercial integrated ERP System

USER LEVEL HARDWARE

To manage and ensure the best usage of ERP System, proper computers, laptops, printers, scanners and other related facilities are planned to be provided to ERP users.

DATA CENTRE

When it comes to IT infrastructure requirements, data center is a top priority. It is a business key parameter; not just a facility for information storage and business operations.

WAN / LAN Connectivity

WAN & LAN create a fast network that allows for rapid transit of information, ultimately leading to increased productivity and increased satisfaction of users.

SYNERGY
ERP NEWSLETTER
VOLUME 1, NUMBER 1,
JUNE 2016

Central Power Purchasing Agency (Guarantee) Ltd.

EDITOR IN CHIEF: ABID LATIF LODHI

EDITOR: [illegible] ULLAH

FOR YOUR FEEDBACK AND SUGGESTIONS:
6th Floor, Shaheed-e-Millat Secretariat, Jinnah Avenue Blue Area, Islamabad | 0300-6672837 | managererp@cppa.gov.pk

IT'S A FACT: WITHOUT CHANGE THERE IS NO INNOVATION, CREATIVITY, OR INCENTIVE FOR IMPROVE

BIHAN AKHTAR, CFO

The use of ERP system in the Accounts & Finance department is a great way to maintain and update accounting records, ensuring reliability and precision. As an epicenter of the system, General Accounting helps to capture & integrate transactions, enabling financial influence over the enterprise as a joint system. ERP is a comprehensive, multichannel platform that will streamline & automate financial operations, while providing real time insight into the overall financial performance of the company. ERP will improve user adoption, reduce costs, and simplify processes. ERP system will enable centralized financial reporting on the organization's core functional areas to be extracted instantly, there by facilitating us to make quick and better decisions.

ABDUAL REHMAN, GM

ERP system is not just a tool for managing company's resources, but a new business ideology. Our management and personnel are required to not only have the appropriate qualifications (knowledge of new managerial techniques, standards & their advantages), but also a certain psychological readiness to adopt change. At CPPA-G, multiple stand alone & disintegrated software are being used along with manual record keeping in traditional books. Data and eventually information is scattered and it is complex to build management reports well in time which ultimately impacts on decision making. We earnestly need an ERP system which may provide a process centric solution in complex information structures and help to provide better company wide visibility & hence enable better collaboration across departments.

KHURSHID PERVAZ, DG-IT

Enterprise Resource Plannin (ERP) is an IS based solutio that ensures the availability o right information at the righ time and place in the right format for th right person, to support decision makin processes at all management levels. Th helps organization to achieve highest level o operational efficiencies. Use of multi forma and multi storage data compromise information quality with duplication of wor and delays. ERP at CPPA-G will resolve these issues through automated processes built o best industry practices and using centralize database (data warehouse) to stream lin the information flow to all departments Data once prepared would be modified used for management to take appropriate prompt decisions to meet with Stak holder's requirements.

NAMET ULLAH, MANAGER ERP

CPPA-G that has no ERP, is running on different kinds of software & manual record keeping that do not all interaction among processes, having multiple data models and integrations is very complex & laborious ta Data Centre is not available & existing computers & network infrastructure is scattered and not being u effectively. This is negatively affecting the optimized functioning of organization's business act ties. The implementation of Tier 1 Business Application (Oracle, SAP or equivalent) and placem of IT infrastructure will help to resolve these issues & existing resources can be used effectively efficiently. Information flows constantly and allows to follow processes as per business policy a industry best practices. Business transactions of departments will be registered in a centrali database which will enhance control and ensures the transparency and visibility. A powerf integrated ERP system & IT infrastructure will enable interactions of departments & stakeho ers to eliminate occasional loss of and retyping errors. This integration of departments & fu tions across a company in a single computer system will automate business processes by p ing them into a useful format that is standardized and common for the whole organization.

MUHAMMAD ASAD, MANAGER TAXATION

Tax calculations, updating records and compliance with Govt. authorities make taxation a complex section. Automation of financial processes will help to automate tax calculations, tax returns, other management reporting and ultimately help to avoid erroneous/omission of transactions and minimize compliance time.

GHULAM MURTZA, DY. GM

ERP automatic and coherent work-flow from one department to another is the need of the hour; to ensure a smooth transition and quicker completion of processes. Complete & instant visibility into all crucial processes across various departments of the organization through ERP is necessary for the progression of the CPPA-G.

ZAFAR JAVED, DG (HR&A)

HRM system covers personnel management, organizational management, payroll management, time management & personnel development. Performing all functions as per company's HR policy is tough job. We need ERP system which may provide powerful integration of all employee's transactions from hiring to retirement, timely execution of payroll & allow monitoring overall performance.

JAMSHAID IQBAL, DY. GM FIN.

The end to end Integration of processes from receiving of claimed invoices, their verification, preparation of demand, payment of demand and reconciliation with all stakeholders is the biggest requirement of our finance section. Single source of data and information is quite necessary to eliminate the duplicity of work and ensure the authenticity of information. So an ERP solution may help us to overcome our problems and improve the departmental efficiency.

M. SHABBIR, DY. GM FINANCE

Detailed calculation & verification of various invoices of IPPs, generation of LD & back feed invoices is quite sensible and eventually a time taking job. This process has increased many fold in the form of late payment interest invoices as a result of circular debt & delay in payments to these IPPs. Further to meet with analytical reporting requires accuracy & quick compilation of information. Manual work is time consuming & need additional staffing. These processing can be automated through an ERP Solution.

FAROOQ AHMED, MFT

The office of MFT is the cor hub of financial and accountin data of CPPA-G. Corporate payments, collection from DISCOs, disbursement of funds, bank reconciliation, imprest payments, receivables/payables with associated companies, compilation & consolidation of accounts and finally generation of financial statements are the major functions of our department. An ERP solution can only ensure that all activities are perfectly integrated, eliminating data silos and enhanced visibility.

E WHO INITIATE CHANGE WILL HAVE A BETTER OPPORTUNITY TO MANAGE THE CHANGE THAT IS INEVITABLE

ATHAR HASHMI, M. IT

ERP system can reform CPPA-G and make its operations more ficient with its better collaboration among all partments and easy access to data. Object iented implementation of ERP will enhance e capability and capacity of CPPA-G towards hieving its goal. Only ERP can provide soluon which are difficult for IT department to lve alone. That's why collaboration of IT partment with ERP is necessary.

SABTAIN RAZA, MCA

With the growth of power market, flawless & fast procedures are the demand of time to hich current customized systems or spreadeets are unable to fulfill. ERP solution can isure data accuracy, its integration and real ne access. ERP facilitates fast processing of formation to maintain satisfactory relationip with corporate vendors, customers & emp.

JAVED ASLAM, M. TECHNICAL

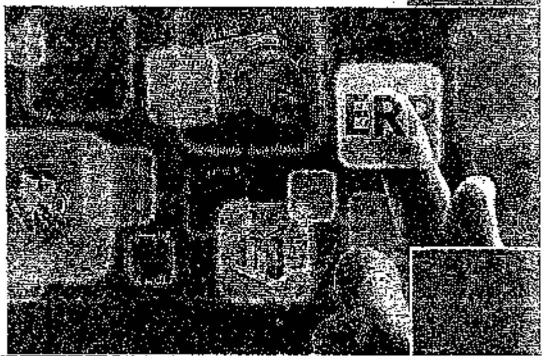
The most important role demanded from ERP is the real time and accurate delivery of information for decision making. The technical information gathered from IPPs requires to be processed very accurately for future use. ERP has the ability to maintain data with real time access and make it basic need for technical department, because it's the first hand data and all departments processes are linked with technical data. The ERP will modernize the traditional systems.

OMER HAROON, M. STRATEGY

In order to transit the power market to next phases (single buyer plus to ultimate competitive market operations), ensure transparency, real time information availability and implementation of billing & settlements system, ERP implementation will prove to be a major building-block for CPPA-G. All the best!!!

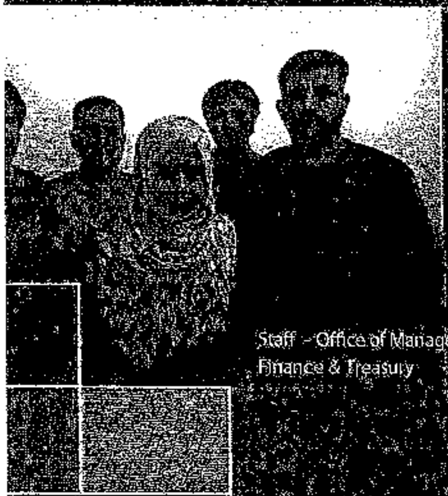
M AMJAD, ADDL. M. TECH.

Technical department is a backbone of CPPA-G which is performing multiple technical activities on spreadsheets or manually. These activities include gathering of metering data from 550 CDPs, verification of capacity and energy data from NPCC and processing of generator's invoices. It is essential to automate these activities to improve the work efficiency, accuracy and productivity. ERP system can integrate these activities and make information available to all stakeholders and reduce duplication.



M AMIN, ADDL. M. TECH.

Technical department is using several soft wares' to full fill its needs, but still there is a need of a system which can integrate all systems. ERP has the ability to integrate all systems and provide the reports for further analysis. The ERP system will streamline our processes and make easy to sort out differences of verified invoices. On the other hand the adjustments can easily sort out with the help of ERP. The ERP is need of the company and it must be fulfilled.



Staff - Office of Manager Finance & Treasury

WAQAR HUSSAIN, ADDL.M. IT ERP system integrates all business functions; it decreases level of inconsistency information from different systems. Using an ERP system to standardize business processes will improve CPPA-G's operation. IT Department has the application of knowledge, skills, tools and techniques to a broad range of activities in order to meet the requirements of the ERP project .

SHOUKAT ALI, DM IT . ERP is first and foremost means of saving time. It does this by automating processes that tend to be un-useful. The IT department has the ability to provide the real time support to ERP system and remove the system flaws which create barrier in ERP implementation. The integration of ERP and IT will lift the CPPA-G efficiency and effectiveness.

AAMER RASHID, DM IT

IT department is trying its best to meet with automation needs of CPPA-G but there are still many areas which require strong controls, processes integration using centralized database. ERP will help us to fulfill these req. and also ensure the completeness, accuracy and reliability of data.

AMIR BASHIR, DM FIN.

Our department has to look after the financials transactions of CPPA-G. Whether it is billing, settlements or company's internal expenses. ERP system may help us to record all transactions, provide quick & accurate reports for better transaction tracking flow.

NOMAN RAFIQ, COMPANY SEC.

Existing power crises & future market changes have emerged as a critical organizational diversity in the contemporary business environments. This diversity will define the ability of CPPA-G to meet the requirements, expectations, and preferences of its stakeholders and markets. These goals can only be achieved once CPPA-G builds its capacity to automate its back office operations supported by IT infrastructure.

ERP IMPLEMENTATION STRATEGY

Considering the importance of the project, we must ensure to build time factor into the enterprise's road map and also make sure that senior management should understand the commitment ERP will require. ERP implementation is not a by-the-way project. It is concluded as per the best industry practices that ERP implementation is a journey and not the final destination and hence an implementation strategy must be selected according to the needs of the organization and not just showing to the world. If all the plans of transition will go right then specific business and business processes are aligned anyone can see dramatic positive impacts on business operations.

Further, when implementing an ERP System, management commonly faces an unwanted attitude from potential users for one reason or another, they resist the implementation and rollout process. The management should, therefore, proactively deal with this problem instead of reactively confronting it.

In the light of above, a phase wise scope of ERP Implementation is being adopted in order to cater the large scope of work and change in organizational culture. ERP System will be implemented in the following phases:

Phase I	Phase II	Phase III
• Recording & analysis of Claimed & Verified Invoices at Finance Department • All processes of Finance & Treasury Deaprtment • Core HR data and Payroll Processing	• Metering Data Reconciliation • Issuance of Invoices to DISCOs • Issuance of Back Feed and LD Invoices • Integration with SMS	• Processes of Invoices Verification at offices of Technical and Finance Departments

CHANGE MANAGEMENT

Benefits Realization Depends on People, Not Technology.

Organizations implementing ERP solutions need organizational change management for the following reasons:

- A new ERP system affects an entire organization, no matter how large or small the company.
- Employees' day-to-day tasks may change and with that, comes a learning curve.
- An ERP implementation brings more exposure to and interaction with new processes and data.
- People can't embrace what they don't understand, so communication is vital for presenting information about the features of the new system and how it will benefit employees.
- Employees also need information on why the organization moved to a new ERP system and how will it help the organization overall.

CPPA-G management needs to focus on CM strategy which comprises of Executive Buy-in, organizational behavior, Employee engagement, Communications & Trainings. Adhering to these five change management principles will help to mitigate the challenges that our organization may face.

WHAT IS SUCCESS FOR ERP PROJECT

Coming together is a beginning; keeping together is a progress; working together is Success.

Forget about the consequences of failure. Failure is only a temporary change in direction to set you straight for your next Success.

Success is a combination of thoughts, words and actions. However, Luck plays a role in Success! But it is only temporary! So don't take it for granted!! It takes continuance endurance, hard work to attain success and does not happen overnight!!

Success usually comes to those who are too busy to be looking for it.

Central Power Purchasing Agency (Guarantee) Ltd.

VOLUME 1, NUMBER 2, OCTOBER 2016 EDITOR IN CHIEF: ABID LATIF LODHI EDITOR: NAMET ULLAH

ERP NEWSLETTER
SYNERGY

IN THIS ISSUE

MOHAMMAD YOUNUS DAGHA

CHAIRMAN, BOARD OF DIRECTORS, CPPA-G

Great minds don't think alike but when the direction and objective is clear and same, the motivation, dedication and hard working behind the implementation of huge project is the key to success.

The ERP selection and implementation are tedious and time consuming tasks which involve lot of timely decision making, effective monitoring in order to accomplish the project successfully. I am confident that CPPA top management is committed, motivated and focused on adoption of standard ERP processes, effective communication for change, timely project reviews, supported by timely availability of required IT infrastructure. I further emphasize that the successful implementation cannot be achieved without availability of sustainable strategy for continuous operations and improvements.

DR. KHAQAN HASSAN NAJEEB

CHAIRMAN ERP COMMITTEE OF BOARD OF DIRECTORS, CPPA-G

Enterprise resource planning (ERP) systems are large and complex systems, and their implementation often requires fundamental changes in the way organizations perform their business processes. Introducing and integrating these systems into an organization is not only a significant financial investment but also a significant risk, which requires skills in change management, process redesign, and business project management. ERP implementation success is influenced by a large number of factors, and most of the time it is difficult to measure them objectively. That is why the BOD Committee for ERP is quite vigilant to measure the progress of ERP implementation process with timelines and progress on milestones through meetings on regular basis.

ERP COMMITTEE OF THE BOARD OF DIRECTORS, CPPA-G ERP PROGRESS REVIEW MEETING

The CPPA management is apprising the ERP Committee of the Board of Directors, CPPA-G on the progress of the ERP implementation and its associated IT infrastructure. The Committee is being apprised of the satisfactory progress on the milestones of the ERP implementation bidding process, the establishment of the CPPA-G Data Center, the installation of the local area network (LAN) and wide area network (WAN), the Data Center equipment including servers, storage area network, network routers, switches, UPS etc., and the upgradation of the official website of CPPA-G.

continued Page 2

ESTABLISHMENT OF CPPA-G DATA CENTER

The construction of the CPPA-G Data Center has been initiated at the CPPA-G IT Center at the ENERCON Building, Islamabad. Following the selection of vendor by a thorough technical and financial evaluation, the site was handed over to the vendor. The civil works is nearing completion in the first phase and local area networking has concurrently been established. The subsequent milestones include the installation of power management, cooling management, fire suppression systems, biometric security systems and CCTV cameras. Weekly project status review meetings are being held in order to monitor the progress of the project and to discuss and resolve any issues should they arise. The work on Data Center is well under way, and the Center will be inaugurated by the end of October, 2016.

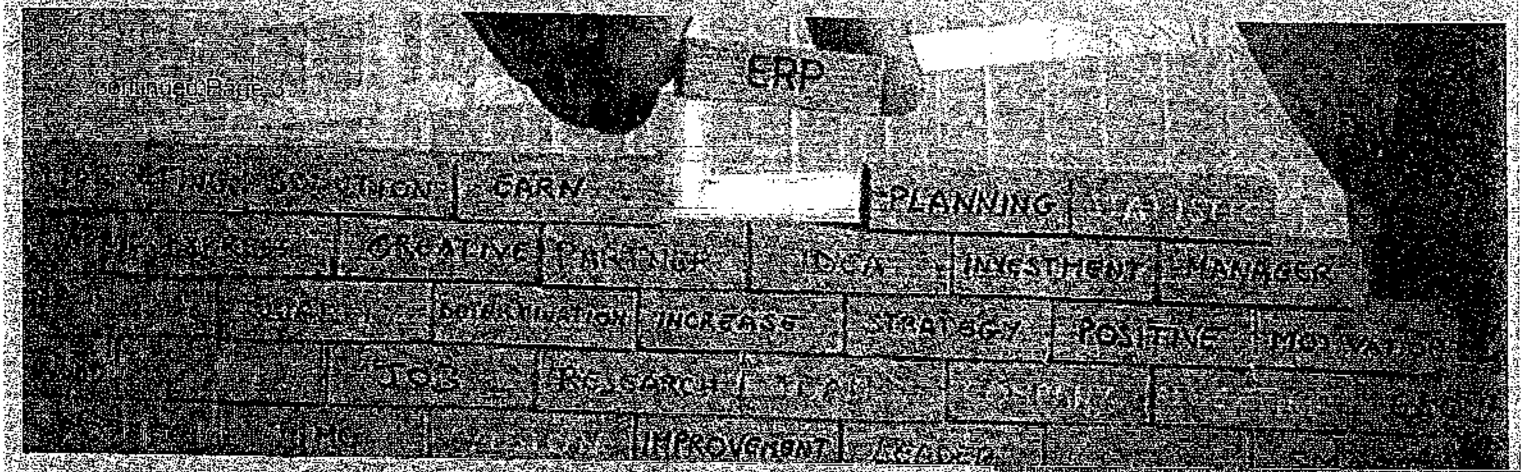
Nowadays, a data center is seen as a key business partner and not as an external facility for storage of information and business operation models. It has become critical for the very functioning of a big business enterprise.

Mr. Muhammad Younus Dagha (Chairman BOD) along with M Zargham Eshaq Khan (Member BOD) and Mr. Abid Latif Lo (CEO) are visiting the CCPA Office and Data Center site at CPPA Center and discussing the planned milestones and their progres

Contract signing ceremony between CPPA and M Techaccess Pakistan for Establishing the Data Center IT Center CPPA Islamabad

CPPA's Data Center will be a facility used to house computer systems and their associated components such as network & storage systems. It is focused on providing redundant and backup power supplies, redundant data communications connections, environmental controls such as air conditioning, fire suppression and various security systems.

continued Page 3



ERP IMPLEMENTATION

Competitive Bidding Process completed

The process of ERP implementation has been initiated with the approval of the Board of Directors, CPPA. A Purchase Evaluation Committee was constituted by the CEO in order to execute the competitive bidding process for selecting the best possible vendor. The Committee so constituted comprised of the CFO as the convener of the Committee, accompanied by the DG (IT), DG HR, Dy. GM Finance, MCA and the Manager ERP as the other members of the Committee. The bid was advertised in the national print media and a Pre-Bid Conference was held to answer any queries the bidders might have regarding the ERP process, in order to provide them with a better understanding of CPPA's project requirements. In the second phase five bidders submitted their proposals which were first evaluated on a technical basis; three firms of these five were declared to be technically responsive bidders. In the third and final process of the financial bid opening, M/s Infotech (Pvt.) Ltd. scored the highest and thus successfully won the bid for the ERP implementation. The whole process was conducted in a fair, competitive and wholly transparent manner, and the awarding of contract is currently in process.

PROJECT STEERING COMMITTEE


CEO, Convener

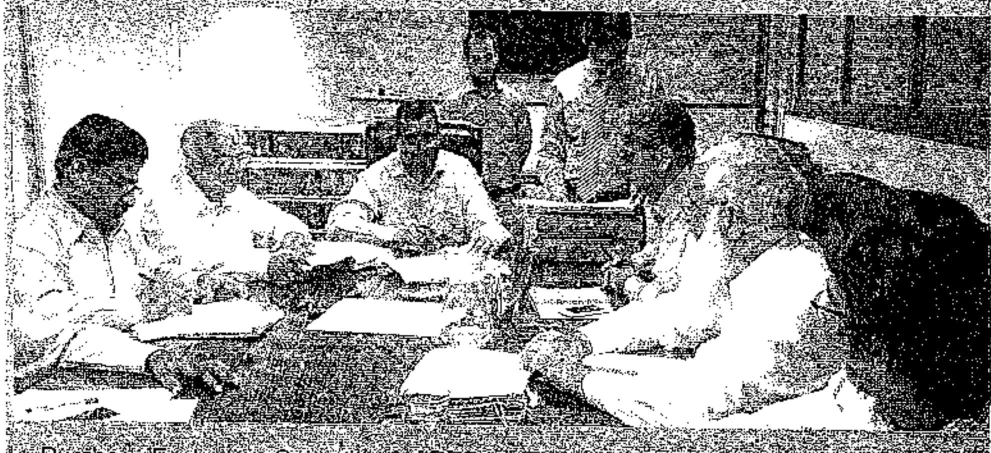

CFO, Project Director


DG IT, Member


DG HR, Member

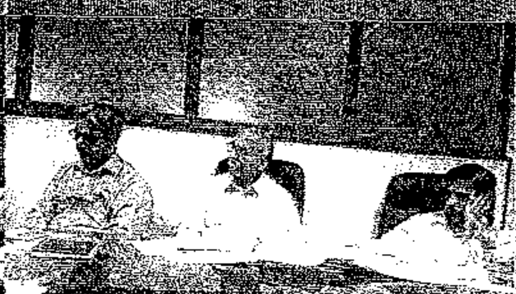

Manager ERP, Project Manager

The Vision of Enterprise Resource Planning is to achieve increased operational effectiveness and efficiencies in business processes via an ERP solution.


Purchase Evaluation Committee of ERP is opening the Technical Bids of firms


Manager ERP is answering the queries of firms in Pre Bid Conference

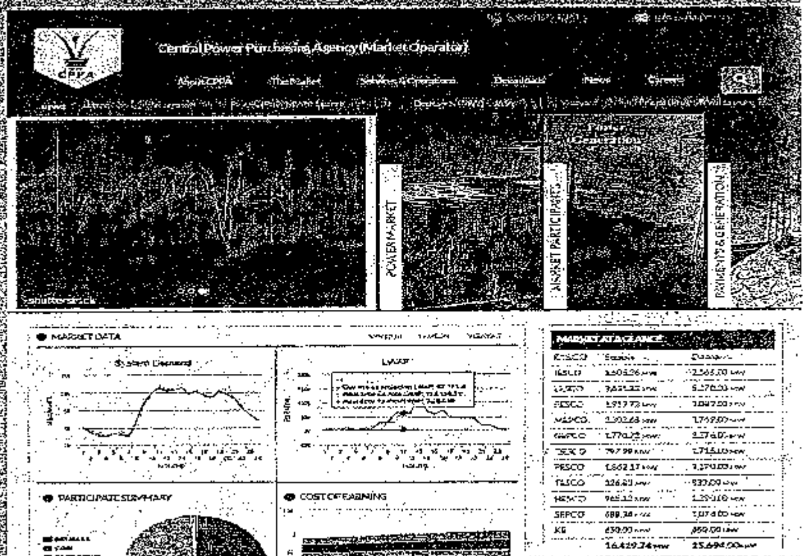

Each bidder presented their project methodology, product experience and delivery plan


Members of the Purchase Evaluation Committee are attending the bidder presentation

Mr. Abid Latif Lodhi (CEO) approving the new web design of CPPA's website.

"Capital is important in business. Experience is important. You can get both these things. What is most important is ideas. If you have ideas, you have the main asset you need."

WEBSITE UPGRADATION



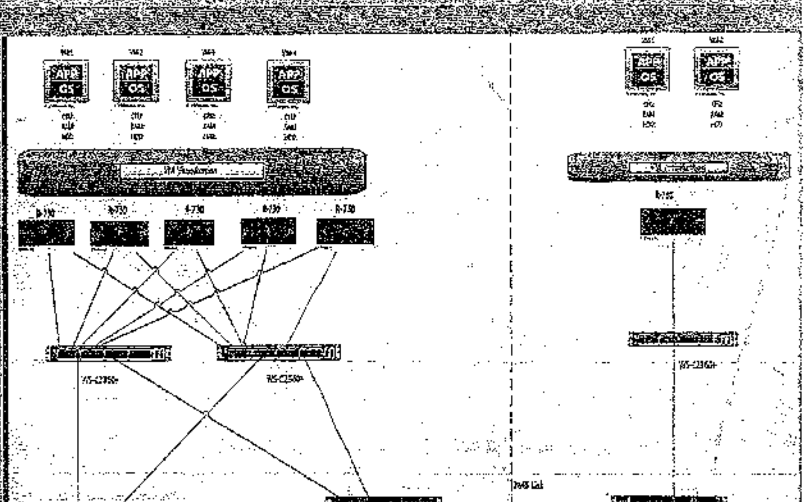
The primary objective of website upgrade and redesign is to update the site to a modern design. The current environment lacked the ability to allow multiple programs and departments to quickly and easily add new information and connect the same with the rest of the site in terms of navigation and cross-linking.

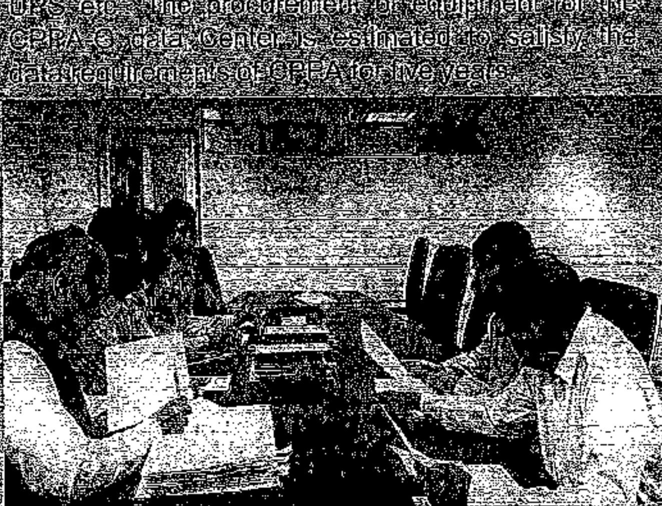
The updated website's look and feel will be improved to bring it in line with a corporate style, making it simple to navigate and implementing site-wide and full text search functionality. The contract has already been awarded to a vendor and the new website design approved. Work is currently in progress on the content management system and testing the web solutions.

PROCUREMENT OF DATA CENTER EQUIPMENT

TECHNICAL EVALUATION OF THE BIDS

CPPA-G has opened technical proposals under two envelops Le. technical and financial bids separately of five firms for the supply of Data Center equipment including servers, storage area network, network switches, firewalls, virtualization software, UPS etc. The procurement of equipment for the CPPA-G data Center is estimated to satisfy the data requirements of CPPA for five years.





Purchase Evaluation Committee meeting for technical evaluation of Tender of Data Center Equipment (Servers, SAN and Network Equipment) held at CPPA-G Head Office.

Central Power Purchasing Agency (Guarantee) Ltd.

OLUME 2 : NUMBER 1 : March 2017 EDITOR IN CHIEF: ABID LATIF LODHI : EDITOR: NAMET ULLAH

ERP NEWSLETTER

SYNERGY

IN THIS ISSUE:

Left: Mr. Mohammad Younus Dagha (Chairman BOD) along with Mr. Mohammad Zargham Eshaq Khan (Member BOD), Mr. Abid Latif Lodhi (CEO) r. Rihan Akhtar, (CFO) and Mr. Namet Ullah (Manager ERP) is inaugurating the new website of CPPA-G. In Right: Chairman BOD is also inaugurating e Data Center of CPPA-G. On this spectacular occasion, the Chairman appreciated the great efforts of CEO and his team for enabling CPPA-G with est Information Technology tools and applications. The honorable guests were also apprised on progress of ERP System implementation project.

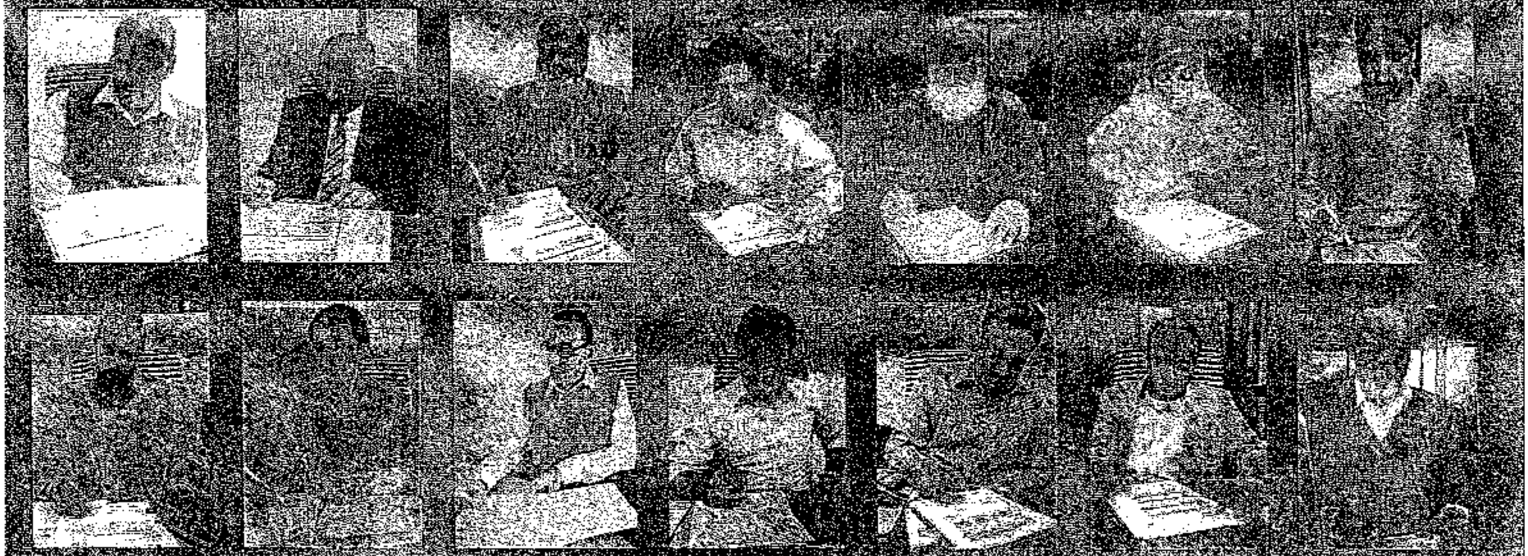
ontract Awarding Ceremony of ERP Implementation Project (Oracle E-Business Suite) - Mr. Abid Latif Lodhi (CEO CPPA-G) exchang-
ng the copy of contract with Mr. Naseer A Akhtar (CEO M/s Infotech (Pvt.) Ltd.) - Management of CPPA-G & Infotech are also present.

EOs of both companies are signing contract.

Management of CPPA-G signing the contract

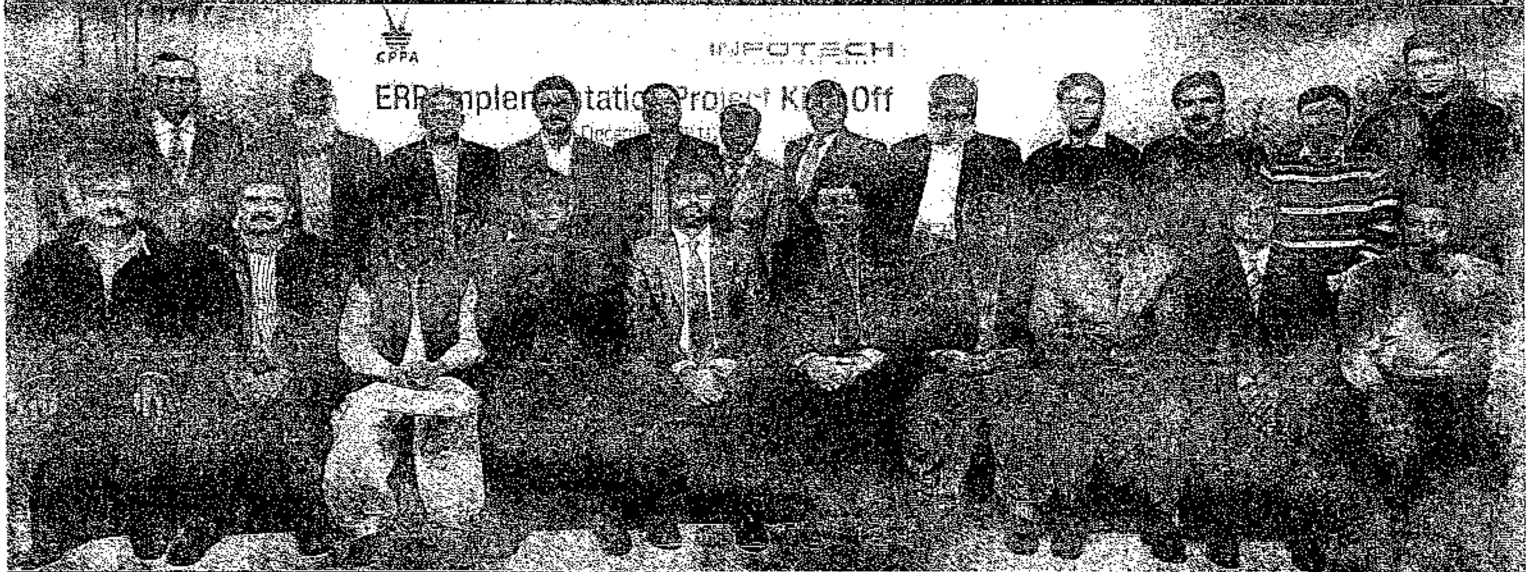
ERP AS-IS Phase
Current Process Model Signed Off

AS-IS Phase is the method of extracting information from users mind and presenting it into document form. The Key Users and Process Owners of CPPA-G are signing Current Process Model documents on completion of AS-IS Analysis Phase.



ERP Kick Off Meeting
Deciding Implementation Method

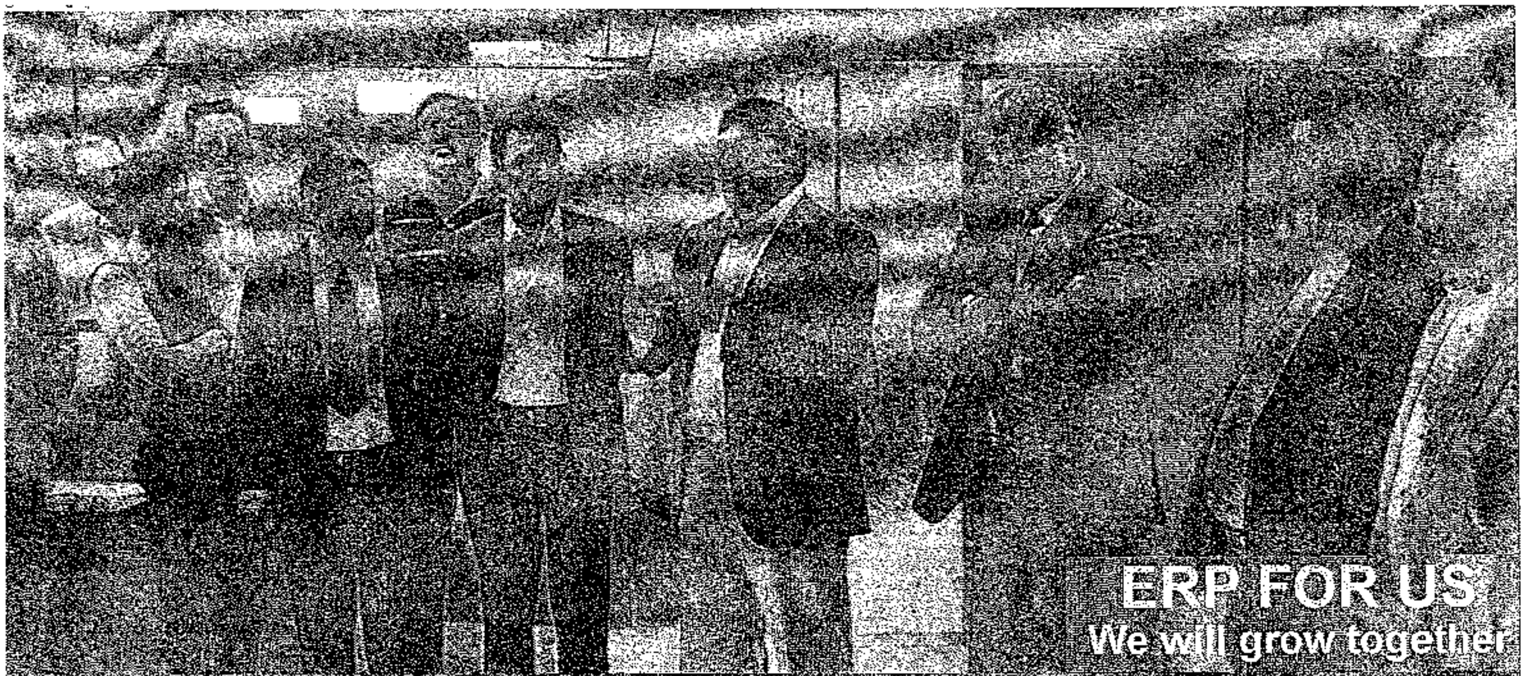
In order to apprise the methodology and Project Plan of ERP implementation, Management of CPPA-G & Infotech with their Implementation Teams joined together on Project Kick-Off Meeting held at Sareena Hotel, Islamabad.



[illegible]

[illegible]

[illegible]



ERP FOR US:
We will grow together

Motivation from the top management is worth more than material rewards. "No project can move a single step forward without the big push from the employees. Successful implementation of ERP System requires involvement of each employee from higher management to lower staff. Employee's commitment to their work ensures project success. As each employee share his thoughts and ideas makes him feel confident and build his trust on his company. With the ERP Implementation the opportunity is provided to every single employee who is sharing his part in the success of CPPA-G to share his ideas on processes which are in practice and how to enhance efficiency in current system and adding quality in work." Mr. Abid Latif Lodhi, CEO CPP-G along with Mr. Namet Ullah (Manager ERP) is briefing on the objectives, goals and project implementation strategy to the management and staff of Finance Department of CPPA-G.

Design Review Sessions of Purchase of Power Module are in progress with the Dy. GM Finance and his team. The process flow forms design and approval hierarchies of POP Module in ERP system are being reviewed.

The ERP Consultants are preparing for the CRP sessions. In design phase, they will map the requirements on Oracle ERP modules and design the custom POP module. After the finalization with users the Design phase will be signed off and development will be started.

Conference Room Pilot (CRP) Sessions of HRMS & Payroll modules are in progress with the DG (HR&A) and his HR & Admin teams. The business processes, activities are being mapped in HRMS Module of ERP system.

A session on functions of Market Operator in Future Power Market development & role of ERP system to integrate with System for Settlement & other simulators is in progress with Strategy Market Development department.

Mr. Ghulam Murtaza (CTO), Mr. Tariq Nasrullah (Manager Technical) and Mr Namet Ullah (Manager ERP) during a meeting in which they were apprised how the business activities of technical department will be automated in ERP 2nd phase of implementation.

Mr. Abdul Majid Khan (CLO), Mr. Abid Rizvi (Manager Legal) and Mr. Sajid Khan (ERP MTO) during a briefing sessions to meet with the requirements of Legal section to develop a database of PPAs which should be accessible in office premises as well as on internet.

om Left: Mr. Muhammad Ashraf Mahmood (Addl. Manager IT), Mr. Asim Maqbool Dar (Dy. Manager IT), Mr. Muhammad Khursheed Alam (DG IT), Mr. houkat Ali (Addl. Manager IT), Mr. Aamir Rasheed (Addl. Manager IT), Mrs. Shazia Saleem (Addl. Dy. Manager IT), Mr. Athar Rasheed Hashmi (Addl. Manage). In Background: Mr. Muhammad Usman (MTO ERP), Mr. Danish Qadir (System & Network Administrator) and Mr. Namet Ullah (Manager ERP)

We IT Team

Celebrating the functioning of Data Center and DR Site at CPPA

IT team of CPPA-G is always making efforts for the automation of business processes of CPPA-G. The initiatives such as ERP implementation project, Establishment of Data Center & Disaster Recovery Site, LAN/WAN connectivity and latest IT equipment have provided a platform to enhance the efficiency and productivity of employees to meet with the organization goals. Newly developed Data Center and IT Infrastructure are the marvelous milestones recently achieved.

Mr. Muhammad Younus Dagha (Chairman BOD) and Mr. Abid Latif Lodhi (CEO) are visiting newly established Data Center of CPPA-G at ENERCON building

r. Danish Qadir Network and System Administrator) is working to onfigure the servers and Storage Area Network in Data Center

IT Vendor's team is installing Network Cabinets for Access Switches, Patch Panels and UPS to ensure the connectivity with the various applications running at DC

Central Power Purchasing Agency (Guarantee) Ltd.

"Verily never will Allah change the condition of a people until they change it themselves" Ar Rad, Chapter #13, Verse #11 [Al-Quran]

GO-LIVE ERP HRMS SYSTEM

PPA held Go Live ERP HRMS System Ceremony in its Head Office, Islam-bad, on Wednesday 23rd August 2017.

o Live ERP HRMS Ceremony was attended BY Honorable BOD Member of CPPA, Mr. Muhammad Zargham Ishaq han, CEO Mr. Abid Latif Lodhi, CFO Mr. Rihan Akhtar, DG HR Rehan Hameed and the management of CPPA.

his speech, Mr. Zargham Ishaq Khan as a Chief Guest expressed his appreciation for the implementation of ERP RMS System at CPPA. "The use of ERP is in line with the directions of the Board of Directors of CPPA to always nsure the compliance aspect, efficiency, and facilitate the audit and reporting processes. We hope that ERP HRMS ystem will create end-to-end process as part of integrating business processes in CPPA. "he said.

arting from a humble beginning from last year, CPPA has emerged at the forefront of many innovations and feats the Power Sector of Pakistan. Investing in state-of-the-art technology has been part of its vision from the start and eeping that in view, it signed up with Oracle and Infotech for rollout of Oracle ERP System.

SYNERGY ERP NEWSLETTER
VOLUME 2, NUMBER 2.
SEPTEMBER 2017
EDITOR IN CHIEF: ABID LATIF LODHI EDITOR: NAMET ULLAH

Power
Solutio
Prototype S

The Prototype Sessions of Power Purchase Invoice Processing module are in progr
The aim of the sessions is to use consultant expertise of ERP system and user expertise o
business to work together and come up with a solution that fits the CPPA needs. This also
the users to own the final solution and to understand the reasoning behind the different de
decisions and to focus on coming up with a solution that handles CPPA business process

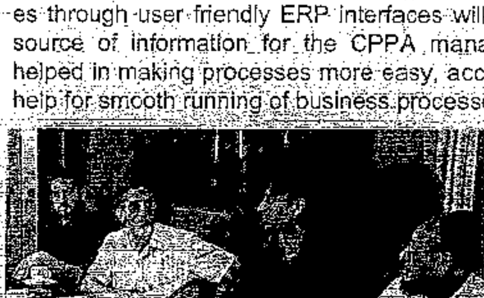
Syed Haroon Massood (Dy. General Manager Finance) is signing off the Solution Design and Future Process Model of Power Purchase Invoice Processing Module. The module will automate the processing of all types of invoices related to all Power Policies. The module will further integrate with the Standard Modules of Oracle E-Business Suite for payment processing and auto accounting.

From Left: Mr. Muhammad Shabbir (DGM Finance), Syed Haroon Masood (DGM Finance), Mr. Rehan Akhtar (CFO) and Mr. Muhammad Farooq (Dy. Manager Finance) during a discussion session to finalize the solution of invoice receiving and different events recording.

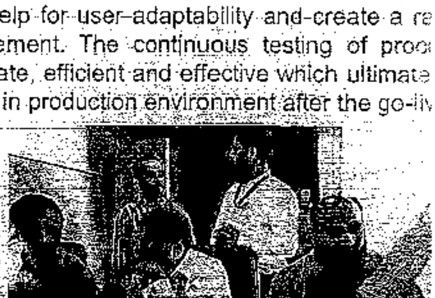
Mr. Irfan Ahmad (Manager Finance), M
(Dy. Manager Finance) along with the
ERP Consultants. The session of POP so
is in progress that how the invoice of
Purchase Price (EPP) will be processed in
System.

ERP Financials UAT Sessions

UAT of ERP Financials is one of the major milestones of ERP implementation which
cently achieved with immense and enormous efforts of Key User, End Users, ERP
CPPA and ERP consultants. The purpose of UAT was to build the ERP solution to mee
the user's requirements and to build a better understanding of users regarding ERP in
es. Every process of Accounts and Finance departments is now being shifted from man
legacy systems to Oracle E-Business Suite ERP System. During the UAT sessions, the
design of the system was presented to the Key User and End Users for their final review
sign off. The newly designed system will streamline the business processes, make the r
ing & decision making easy for management. As well as the mitigation of redundant pro
es through user friendly ERP interfaces will help for user-adaptability and create a re
source of information for the CPPA management. The continuous testing of proc
helped in making processes more easy, accurate, efficient and effective which ultimate
help for smooth running of business processes in production environment after the go-liv



Mr. Muhammad Aslam (Manager B&R), Mr. Moeen (DM Accounts), MR. Kareem Ali Tahir (AM) are reviewing the processes of Invoicing to DISCOs, Back Feed Billing Invoices. The keen interest of users in sessions has shown the high level of motivation among officers and officials.



Mr. Shoaib (DM Tax), Mr. Aziz-ur-Rehman
other users of Treasury Section are particip
in the UAT sessions on Receivables and
Management modules. The users dedic
towards adoption of ERP system is the k
success for such mega projects.

Mr. Muhammad Asad (Dy. General Manager Corporate Accounts & Treasury) is signing off the Solution Design and Future Process Model of ERP Financials Modules of Oracle E-Business Suite. The ERP Financials currently covers the General Ledger, Payables, Receivables, Assets and Cash Management modules. This area is also integrated with Power Purchase Invoice Processing and Payroll Modules.

ERP Project Status Review Meetings

RP Project Steering Committee Meeting is in-progress at Head Office of CPPA

essful ERP implementation relies on the engagement of many stakeholders, but the in-ent of executive-level leadership is especially critical. Considering the vast number of es that affect an ERP implementation, effective governance from the very top of an organi-s an absolute must. The PSC Meetings are held regularly at the head office of CPPA.

rshad Minhas (CIO CPPA), Mr. Namet (Manager ERP), Mr. Rao Hamid, Mr. Mu-nad Munaf and Mr. Asad Nawaz from M/s ch are attending the PSC meeting at head of CPPA. The committee was apprised he current status of project & further plans.

From Left: Mr. Asad Nawaz (Project Manager Infotech) and Mr. Namet Ullah (Project Manager CPPA) are apprising the Project Steering Committee on the status of the project, the issues being faced by the both teams, the suggested resolutions and future milestones.

ashid Ali (Accounts Officer) and Mrs. Diana nan (Accounts Assistant) are testing the esses of Invoice processing of Agency Func-nd Inter Bank Transfer transactions. These e main business processes of finance func-f CPPA which are mapped on ERP System.

The UAT session of Payroll processes is in-progress and discussions are going on regarding integration of Payroll module with Financials modules. HR users, Member of PMO and ERP Consultants can be seen in above image.

UAT session on budget processes is in-ess where Mr. Muhammad Mateen (ERP ultant) is demonstrating the process of addi-f budget in ERP system to Mr. Manan ul e (MTO Finance) and Mr. Sajid Khan ber PMO team).

Mr. Muhammad Asad (Key Users Financials) along with his team is attending the session on creating the new value of Chart of Accounts in ERP system. The extensive sessions are held for the preparation and finalization of Chart of Accounts for ERP System.

MUHAMMAD ARSHAD MINHAS

CIO CPPA

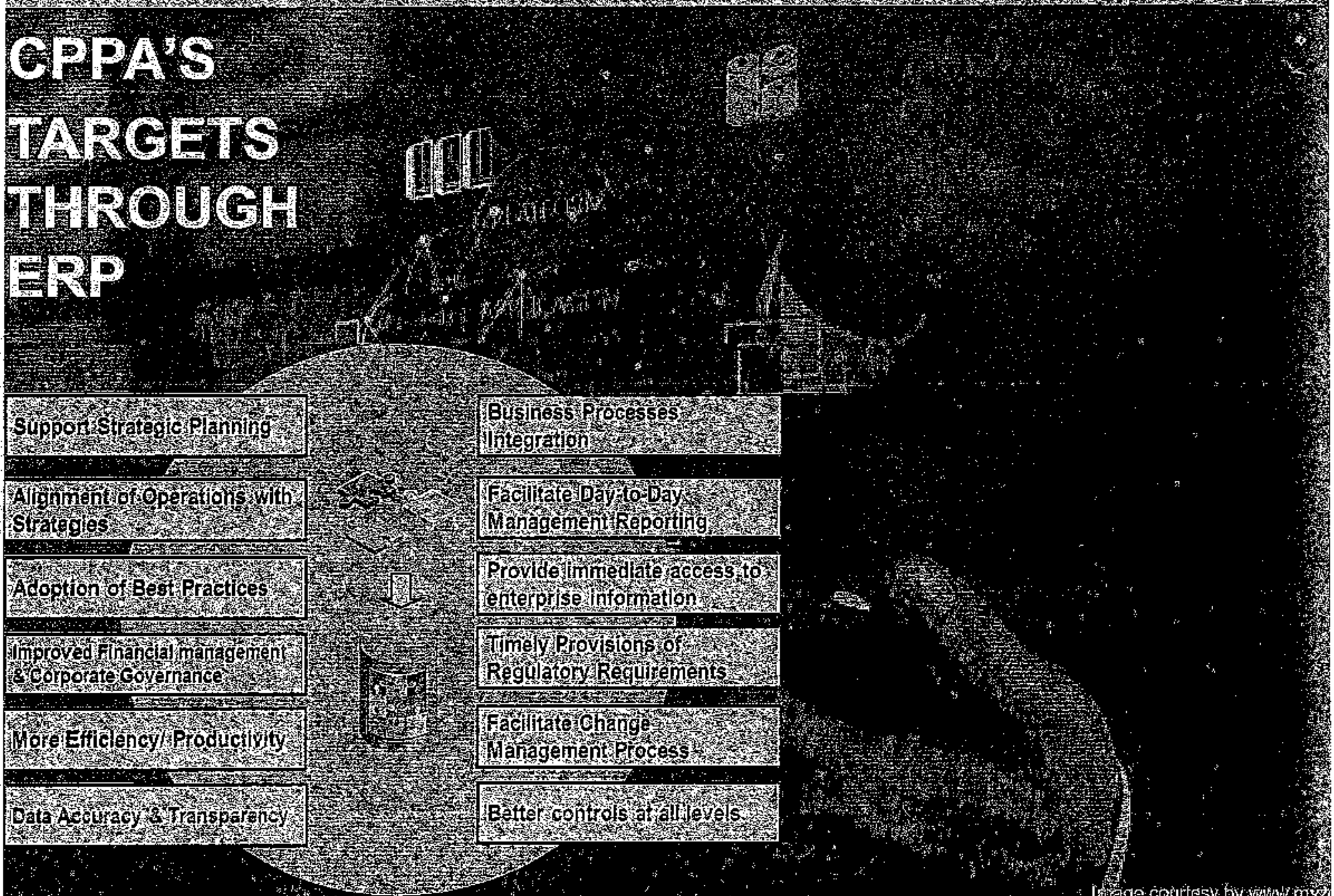
It is no secret that ERP implementation has become inevitable for a modern and efficient organization, but it takes considerable patience, time, effort and immaculate organizational skills to first implement and then adopt it as a new way of life. The good news is that the benefits outweighs all the pain. CPPA's leadership, Steering Committee and all stakeholder deserve great appreciation on a laudable effort of implementing the first phase of ERP implementation on time. A recent analysis on international ERP implementation projects shows that only 40% organizations are able to achieve such a cherished goal. As CIO of CPPA, I see this achievement as a matter of great satisfaction and encouragement for strategic planning and implementation of future automation action plans. I sincerely hope that users of ERP will help CPPA realize its goal by continuously learning and improving upon its use.

REHAN HAMEED

DG HR CPPA

It is a matter of great pleasure and honor to celebrate the advent of CPPA in the era of Enterprise Resources Planning (ERP). This journey of change will eventually transform the organization holistically with new venues and immense possibilities of learning. Our challenge is not only to embrace this change unwaveringly but also to leverage its potential at par excellence. I congratulate CPPA management, officers and officials of HR & Administration department who took lead in CPPA to go-live HR and Payroll on ERP System. I am also grateful to ERP team CPPA and implementing consultant M/s Infotech for helping us to automate our business through ERP system.

CPPA'S TARGETS THROUGH ERP



- Support Strategic Planning
- Alignment of Operations with Strategies
- Adoption of Best Practices
- Improved Financial management & Corporate Governance
- More Efficiency/ Productivity
- Data Accuracy & Transparency
- Business Processes Integration
- Facilitate Day-to-Day Management Reporting
- Provide immediate access to enterprise information
- Timely Provisions of Regulatory Requirements
- Facilitate Change Management Process
- Better controls at all levels

Image courtesy by www.myz

Best Contributors in Go-Live ERP HRMS

We are thankful to the entire project team for its sustained and unfli dedication during turbulent and testing times and wading through the cessfully. Here, you all are kindly urged to fully own the system as end and take full charge of it!!!

Group photo with CEO CPPA on the occasion of Go-Live of ERP HRMS System

Standing from left: Mr. Muhammad Usman [illegible], Mr. Noor Muhammad (Office Assistant), Mr. Tauseef Ahmed (Sr. Assistant), Mr. Ansar Waheed (Accounts Assistant), Mr. [illegible] Ullah (Manager ERP), Mr. [illegible] (AM HR&A), Mr. Kazim Hussain (ASA), Mr. Tariq Mahmood (APS), Mr. Pervaiz Iqbal (Transport Sup.), Mr. Ali Raza (Sr. Assistant)

Sitting from left: Mr. [illegible] Ali Butt (Dy. Manager HR&A), Mr. Zafar Javed (Advisor HR&A), Mr. [illegible] Hameed (DG HR&A), Mr. [illegible] (CEO), Mr. [illegible] (CFO), Mr. [illegible] (Company Secretary)

Mr. Noor Muhammad (Office Assistant)

Mr. Kazim Hussain (APS)

Mr. Ghulam Rasool (A[illegible] Officer)

Mr. Tauseef Ahmed (Sr. Assistant)

Mr. Ali Raza (Sr. Assistant)

Mr. Tariq Mahmood (APS)

Annex-E

Central Power Purchasing Agency Guarantee Limited

A Company of Government of Pakistan

CPPA

Office of the Chief Executive Officer CPPA (G) Ltd.

No. CEO/CPPA(G)L/2017/Admin/ 8776-79

Dated: 28 / 07/2017

Finance Director,
National Transmission Dispatch Company (NTDCL),
Room No.540, Wapda House,
Lahore.

Subject: **PAYMENT OF USE OF SYSTEM CHARGES (UoSC) AS PER REGULATORY DETERMINED TRANSMISSION LOSSES.**

Ref: NEPRA determination of Transfer/Freewheeling charges of NTDCL vide NEPRA/TRF-365/NTDC-2016/5040-5042 dated 11th of April, 2017.

This is with reference to determination of Market Operation Fee of CPPA-G by NEPRA for the period of June-15, FY 2015-16 and FY 2016-17 dated 5th January 2017, wherein the Authority has directed as under:

"CPPA-G and NTDCL required to enter into formal arrangement where in a mechanism for calculation of impact of excess loses over and above, the authority allowed limit be clearly stipulated. Sharing of agreement between NTDC with NEPRA"

This is to apprise that the Authority vide ref (i) has allowed Transmission & Transformation (T&T) losses as per actual with a cap of 2.8 %, to be charged to end consumers through price transfer mechanism. Consequently, payment by CPPA-G to NTDCL on account of UoSC, as is requested by NTDCL through invoice on monthly basis, will be paid as per the actual losses incurred subject to the regulatory cap of 2.8 %. Any invoice raised beyond the regulatory determined cap will be paid only to the extent of 2.8 %.

Please note that during the current financial year the actual transmission & transformation losses of the NTDC remained within the regulatory determined cap, therefore no deduction was required/carried out. However to meet the regulatory requirements as cited above both

CPPA-G and NTDC have to reach an agreement to take the effort of any such adjustment as when required which form on the basis of this letter.
This is place for your information and record.

Rihan Akhtar
Chief Financial Officer
CPPA-G

For Information:

- Chief Executive Officer, CPPA-G
- Registrar NEPRA
- Managing Director, NTDCL
- Master File

CPPA-G/2018/CEO/SMD/17-21   January 12th, 2018

Managing Director
NTDCL, WAPDA House
Lahore

Subject: Proposed Draft of the Agreement between CPPA-G and NTDC on "Excess Transmission Losses Incurred by NTDC Over and Above the Targets Set by NEPRA"

The National Electric Power Regulatory Authority vide the determination of the Authority in the matter of application filed CPPA-G for "Determination of its Market Operator Fee for the Period June 2015, the FY 2015-16 and FY 2016-17" had directed CPPA-G and NTDC to enter into a formal arrangement wherein a mechanism for calculation of impact of excess losses over & above the NEPRA's allowed limit be clearly stipulated.

Therefore, in order to comply with the directions given by the Authority, CPPA-G has prepared a draft agreement for the treatment of the excess losses for review of NTDC, please.

The draft agreement has been attached as Annex-I. It is requested to please ask the relevant quarters in NTDC to review the draft agreement and furnish the comments (if any) by end of this month please.

(Abid Latif Lodhi)
CEO, CPPA-G

C.C for Information:

- Chief Legal Officer, CPPA-G
- Chief Financial Officer, CPPA-G
- Company Secretary, CPPA-G, Islamabad
- DGM, Strategy & Market Development, CPPA-G, Islamabad
- Master File

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

AND

NATIONAL TRANSMISSION & DESPATCH COMPANY LIMITED

AGREEMENT

relating to

EXCESS TRANSMISSION LOSSES INCURRED BY THE NATIONAL TRANSMISSION AND DESPATCH COMPANY LIMITED OVER AND ABOVE THE TARGETS SET BY THE NATIONAL ELECTRIC POWER REGULATORY AUTHORITY

MADE AT ISLAMABAD

THE ISLAMIC REPUBLIC OF PAKISTAN

on [•]

THIS AGREEMENT (the "**Agreement**") is made at Islamabad, on this ____ day of [•] 2018 by and between:

(1) **CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED**, on behalf of ex-WAPDA Distribution Companies, a guarantee limited company established under the Companies Ordinance, 1984, with its registered office located at 6th Floor, Shaheed-e-Millat Secretariat, Jinnah Avenue, Blue Area, Islamabad (the "**CPPA**"); and

(2) **NATIONAL TRANSMISSION AND DESPATCH COMPANY LIMITED** (the "**NTDC**"), a public limited company incorporated under the laws of Pakistan, with its principal office at WAPDA House, Shahrah-e-Quaid-e-Azam, Lahore, Pakistan; and

(CPPA and NTDC are hereinafter individually referred to as "**Party**" and collectively referred to as the "**Parties**").

WHEREAS:

(A) CPPA has been established pursuant to the **National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rules, 2015** (as hereinafter defined) to conduct the market operations pursuant to the reorganization of the business of NTDC in furtherance of the reform of the Central Power Purchasing Agency which was formerly a division of NTDC;

(B) Under the **National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rules, 2015** (as hereinafter defined) CPPA has been tasked with establishing the **Commercial Code** (as hereinafter defined) for carrying out the market operations;

(C) Pursuant to section 35 of the **Regulation of Generation Transmission and Distribution of Electric Power Act 1997 (XL of 1997)** (as hereinafter defined) read with rule 5 of the **National Electric Power Regulatory Authority (Market Operator, Registration, Standards one Procedure) Rules, 2015** the **Commercial Code** (as hereinafter defined) submitted by CPPA was approved by the National Electric Power Regulatory Authority (as hereinafter defined) and notified on 02.06.2015 *vide* **SRO 542(I), 2015**;

(D) Pursuant to the **Commercial Code** (as hereinafter defined) CPPA shall act as the sole agent of the Ex-WAPDA Distribution Companies (as hereinafter defined) and purchaser of capacity and energy on behalf of the Ex-WAPDA Distribution Companies (as hereinafter defined) from the Generation Companies (as hereinafter defined);

(E) Pursuant to the **Commercial Code** (as hereinafter defined), NTDC shall provide transmission services and system operation and dispatch services to all market participants in lieu of the Use of System Charges as determined from time to time by the National Electric Power Regulatory Authority (as hereinafter defined) and collected by CPPA from the Distribution Companies through the transfer price mechanism established by the National Electric Power Regulatory Authority (as hereinafter defined) and implemented by CPPA in accordance with the **Commercial Code** (as hereinafter defined);

(F) The National Electric Power Regulatory Authority (as hereinafter defined), *vide* the "**Determination of the Authority in the matter of Application filed by Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) for Determination of its Market Operator Fee for the Period June 2015, the FY 2015-16 and FY 2016-17**" dated 05.01.2017, had required CPPA and NTDC to enter into a formal arrangement wherein a mechanism for calculation of impact of excess losses over & above the National Electric Power Regulatory Authority's (as hereinafter defined) allowed limit be clearly stipulated;

(G) The National Electric Power Regulatory Authority, *vide* the "**Determination of the Authority in the matter of Petition filed by National Transmission and Despatch Company Ltd. (NTDC) for Determination of Its Transfer / Wheeling Charges for the FY 2014-15**" dated 23.04.2015, had recognized that the Transmission and Transformation Losses of NTDC vary on a monthly basis, and thus approved its adjustment on a yearly basis; and

(H) The National Electric Power Regulatory Authority (as hereinafter defined), *vide* the "**NEPRA Guidelines for determination of Revenue Requirement & Use of System Charges**" notified on 06.04.2017 *vide* SRO 241(I)/2017, directed that any losses beyond the assessed level of transmission loss would be borne by NTDC.

NOW IT IS HEREBY AGREED AS UNDER:

1. DEFINITIONS: RULES OF INTERPRETATION

1.1 Whenever the following capitalized terms appear in this Agreement, they shall have the meanings stated herein below:

1.1.1 "2015 Rules" – the National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rules, 2015 notified by the Government of Pakistan on 28.05.2015 *vide* SRO 541(I)/2015;

1.1.2 "Act" – the Regulation of Generation Transmission and Distribution of Electric Power Act 1997 (Act XL of 1997);

1.1.3 "BPC" – the bulk power consumers; a consumer who purchases or receives electric power at one premises in an amount of one (1) megawatt or more or in such other amount and voltage level and with such characteristics as the Authority may determine;

1.1.4 "CDP" – the common delivery points of the DISCOs;

1.1.5 "Code" – the Commercial Code submitted by CPPA, approved by NEPRA, and notified on 02.06.2015 *vide* SRO 542(I)/2015;

1.1.6 "CpGenEn" – the energy component of the total generation cost of electrical power generation for a billing month in PKR;

1.1.7 "Distribution Company (DISCO)" – the ten (10) government-owned Ex-WAPDA distribution companies and KEL licensed by NEPRA to engage in the distribution of electric power;

1.1.8 "%EL" – the percentage of the T&T in excess of the T&T Cap;

1.1.9 "ETR" = the Energy Transfer Rate;

1.1.10 "KEL" – K-Electric Limited, a public limited company having distribution license no.09/DL/2003 and engaged in the distribution of electric power;

1.1.11 "MWh" – the amount of electrical energy transmitted;

1.1.12 "NEPRA (Authority)" – the National Electric Power Regulatory Authority established under the Act;

1.1.13 "PKR (Rupee) (Rs.)" – the lawful currency of the Islamic Republic of Pakistan;

1.1.14 "T&T" – the average of the transmission and transformation losses incurred by NTDC in the transmission of electricity, calculated on an annual basis;

1.1.15 "T&T Cap" – the cap imposed by NEPRA from time to time on the transmission and transformation losses incurred by NTDC in the transmission of electricity.

1.2 All provisions of this Agreement, where the context requires, are to be construed as covenants, as though the words importing such covenants were used in each separate clause or section hereof.

1.3 Each Party shall interpret this Agreement in good faith to determine the Parties' rights and obligations stipulated herein.

2. METHODOLOGY FOR CALCULATING THE IMPACT OF EXCESS TRANSMISSION LOSSES OVER AND ABOVE THE TARGET SET BY NEPRA

2.1. In compliance with the directions of the Authority *vide* the *Determination of the Authority in the matter of Application filed by Central Power Purchasing Agency (Guarantee) Limited (CPPA-G) for Determination of its Market Operator Fee for the Period June 2015, the FY 2015-16 and FY 2016-17* the Parties shall employ the following methodology for calculating the impact of excess T&T over and above the T&T Cap set by NEPRA from time to time:

2.1.1. The losses shall be calculated at the 500kV and 220kV voltage levels at the CDPs;

2.1.2. The demand of the BPCs have been included at the DISCOs' level;

2.2. The T&T shall be calculated as per the following formula:

$$ETR(\frac{Rs}{MWh}) = \frac{\Sigma \mathbf{CpGenEn}}{\Sigma EUs(MWh)}$$

2.2.1. In the event that the T&T are lower than the T&T Cap, all losses shall be charged to the DISCOs as part of the Energy Transfer Price.

2.2.2. In the event that the T&T exceed the T&T Cap all the excess T&T shall be charged to NTDC while the T&T up to the T&T Cap shall be charged to the DISCOs as part of the Energy Transfer Price. In such event the %EL shall be calculated as per the following formula:

$$\%EL = \%Actual\ losses - \%T\&T\ Cap$$

2.2.2.1. The costs of the %EL shall be calculated as per the following formula:

$$Cost\ of\ \%EL = \%EL * \Sigma \mathbf{CpGenEn}$$

2.2.2.2. The amount charged to the DISCOs shall be calculated as per the following formula:

$$ETR = \frac{\Sigma \mathbf{CpGenEn} - Cost\ of\ \%EL}{\Sigma EUs(MWh)}$$

2.2.2.3. The amount charged to NTDC shall be calculated as per the following formula:

$$Transfer\ price\ of\ T\&T\ in\ excess\ of\ the\ T\&T\ Cap\ to\ NTDC = Cost\ of\ \%EL$$

3. Warranties And Representations

Each of the Parties hereto warrants and represents to the other Parties that it has: (i) the power to enter into and comply with all its obligations under this Agreement; and compliance with its obligations under this Novation Agreement will not violate its constitutional documents or any law to which it is subject.

4. Governing Law

The rights and obligations of the Parties under or pursuant to this Agreement shall be governed and construed according to the Laws of Pakistan.

In Witness Whereof this Agreement has been signed at the place and on the day and year first above written above.

Signed by for and on behalf of **National Transmission And Despatch**	

COMPANY LIMITED	
Signed by for and on behalf of CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED	

Witnessed by:	
Witnessed by:	

Annex - I

Central Power Purchasing Agency Guarantee Limited

A Company of Government of Pakistan

CPPA

No. CPPA-G/2017/CFO/ 8784-85

Dated: August 03rd, 2017

Deputy Registrar NEPRA,
NEPRA Tower Ataturk (East)
G 5/1, Islamabad.

SUBJECT: COMPLIANCE OF NEPRA's DIRECTION ON DETERMINATION OF MARKET OPERATIONS FEE FOR THE PERIOD JUNE-15, FY 2015-16 AND FY 2016-17.

Ref: NEPRA's Determination vide letter No. NEPRA/TRF-366/CPPA-G-2016/198-200 dated: January 5, 2017.

This is with reference to aforementioned determination of Authority pertaining to Market Operation Fee of CPPA-G for the period June-15, FY 2015-16 and FY 2016-17.

The compliance pertaining to Circular debt report/party wise breakup of amount payable and receivable, on account of directions of the Authority in its afore cited determination is attached.

(Rihan Akthar)
Chief Financial Officer

CC:

- Chief Executive Officer, CPPA-G.
- Master File

Circular Debt Report FY 2016-17

Receivable & Payable (Quarter Wise)

Unaudited

Receivable

Mln Rs.

DISCO	Sep-16	Dec-16	Mar-17
	1st Quarter	2nd Quarter	3rd Quarter
FESCO	(80,944)	(76,932)	(68,386)
GEPCO	(45,993)	(49,304)	(49,657)
HESCO	110,999	116,756	117,008
SEPCO	115,432	117,527	107,822
IESCO	(50,642)	(49,412)	(43,742)
LESCO	(126,277)	(123,958)	(116,461)
MEPCO	(48,500)	(43,336)	(35,498)
PESCO	320,933	323,260	330,522
TESCO	(150,780)	(153,316)	(153,375)
QESCO	140,016	141,689	146,372
K-Electric	55,693	46,699	42,344
	239,937	249,674	276,949

Circular Debt Report FY 2016-17

Receivable & Payable (Quarter Wise)

Unaudited

Payable

Mln Rs.

Sr. #	Type	Sep-16 1st Quarter	Dec-16 2nd Quarter	Mar-17 3rd Quarter
1	**GENCO's**			
	MARI (Genco-II)	572	1,349	916
	PPL (Genco-II)	1,591	2,884	2,382
	SNGPL (Genco-I-II-III)	1,706	3,151	3,314
	SSG (Genco-I-II-III)	1,350	2,849	1,504
	Total: (GAS)	**5,219**	**10,233**	**8,115**
2	**OIL**			
	PSO (Genco-I-II-III)	78,453	92,267	96,304
	Total: (OIL)	**78,453**	**92,267**	**96,304**
3	**(IPPs) RFO/GAS**			
	HUBCO (RFO)	47,734	59,295	55,613
	KAPCO (GAS & RFO)	61,595	65,066	65,026
	AES (Pakgen) (RFO)	7,477	8,236	8,620
	AES (Lalpir) (RFO)	5,593	5,857	6,423
	SEPCOL (RFO)	-	-	-
	KEL (RFO)	1,869	2,518	2,733
	SABA (RFO)	262	399	666
	JAPAN (RFO)	-	-	-
	LIBERTY (GAS)	6,227	6,576	6,770
	UCH (GAS)	5,546	6,332	7,083
	ROUSCH (GAS)	2,745	4,182	4,606
	FAUJI (GAS)	888	1,013	1,915
	HABIBULLAH (GAS)	3,197	3,464	3,561
	ALTERN (GAS)	248	334	327
	DAVIS ENERGEN (GAS)	60	120	70
	S/Total: IPPs RFO/GAS	**143,350**	**163,392**	**163,414**
4	**(IPPs) RFO/HSD/SOLAR/WIND**			
	AGL POWER (RFO)	4,252	4,701	5,037
	THE HUBCO NAROWAL (RFO)	4,617	5,571	6,096
	ATLAS POWER (RFO)	4,079	4,860	5,338
	NISHAT POWER (RFO)	4,657	5,281	5,639
	NISHAT CHUNIAN POWER (RFO)	4,016	4,550	4,961
	LIBERTY POWER TECH. (RFO)	5,092	5,852	6,253
	ORIENT POWER (GAS/HSD)	876	1,485	1,843
	SAIF POWER (GAS/HSD)	1,289	2,189	2,727
	SAPPHIRE ELECTRIC POWER (GAS/HSD)	1,037	1,911	2,295
	HALMORE POWER (GAS/HSD)	711	1,080	1,838
	ENGRO POWER (GAS)	1,785	2,244	2,676
	FOUNDATION POWER (GAS)	2,559	2,998	3,178
	UCH-II (GAS)	1,687	2,500	3,048
	SHYDO POWER (HYDEL)	353	192	222
	LARAIB POWER (HYDEL)	314	566	655
	FFC ENERGY (WIND)	336	419	384
	ZORLU ENERJI (WIND)	236	279	268
	JDW SUGAR MILLS Unit-II	30	34	34
	JDW SUGAR MILLS Unit-III	35	37	37
	THREE GORGES FIRST (WIND)	242	274	320
	FOUNDATION ENERGY-I (WIND)	136	308	295
	FOUNDATION ENERGY-II (WIND)	273	353	292
	RYK MILLS	7	8	11
	QUAID-E-AZAM (SOLAR)	173	256	399
	SAPPHIRE POWER (WIND)	5	218	126

Sr. #	Type	Sep-16	Dec-16	Mar-17
		1st Quarter	2nd Quarter	3rd Quarter
	CHINIOT POWER	0	12	12
	APOLLO (SOLAR)	202	258	321
	BEST GREEN ENERGY (SOLAR)	-	164	98
	CREST EÑERGY (SOLAR)	-	166	237
	YUNUS ENERGY	-	53	35
	METRO POWER	-	27	56
	TENAGA EGERGY	-	17	16
	MASTER ENERGY (WIND)	-	21	23
	ACT WIND	-	21	20
	GUL AHMED WIND	-	10	18
	HAMZA SUGAR MILLS	-	-	-
	S/Total: (IPPs) (GAS/HSD/WIND/SOLAR)	38,959	48,931	54,802
	Total: (IPPs)	182,309	212,323	218,216
	CHASHMA (Nuclear) Plant-1	2,050	2,995	2,767
5	CHASHMA (Nuclear) Plant-2	5,730	7,096	6,648
	CHASHMA (Nuclear) Plant-3	-	-	-
	S/Total: IPPs (Nuclear)	7,781	10,090	9,415
	Total: (IPPs & Nuclear)	190,090	222,414	227,631
6	Others/WAPDA Hydel			
	MISC: (NTDC,GENCOs,Tavanir Iran, Debt. Service & etc.)	48,311	37,472	31,078
	WAPDA Hydel	3,273	11,983	22,168
	S/Total: (Others/WAPDA)	51,584	49,455	53,245
	G/Total	325,346	374,369	385,295

Note: This report includes the industry Circular Debt payables i.e payable to oil and gas by GENCO's is included

* Based on the overdue Invoices.

Annex - G

Central Power Purchasing Agency Guarantee Limited

A Company of Government of Pakistan

CPPA

CPPA-G/2016/CEO/SMD/8486-87 April 12, 2017

The Registrar NEPRA,
NEPRA Tower,
Attaturk Avenue (East) G-5/1,
Islamabad.

Subject: Submission of Market Operator Registration Application

The Board of Directors of CPPA-G in its 25th meeting held on April 11, 2017 authorized CPPA-G to submit the Registration Application before NEPRA to register as the Market Operator. Thereby as authorized by the Board and in compliance to the Market Operator Registration, Standards and Procedures Rules 2015, Rule 3, Sub-Rule (2), the Applicant with its address at ENERCON building G-5/2, Islamabad is filling the Registration Application before NEPRA to register as the Market Operator.

The Registration Application has been prepared by CPPA-G keeping in view the requirements as laid down under the Rule 3, Sub-Rule (2) of the Market Operator Registration, Standards and Procedures Rules 2015. The following table maps the requirements as laid down in the rules against the contents in the Application attached with this letter:

#	Requirements as Per Rule 3, Sub-Rule (2)	Reference in Application
1	Copies of memorandum of association and articles of association	Section 1 and Appendix-2
2	Particulars of its Chief Executive Officer and Directors	Section 2 and Annexure-1
3	Documents showing that satisfactory system and controls are available to conduct the market operations	Section 3
4	Documents showing that adequate financial, technical, organizational and human resources are available to act as the market operator in a proper and efficient manner on an ongoing basis	Section 2, Section 3, Section 5, Section 6, Section 7 and 8. Annexures 1,2, 3, 4, 6 & 7
5	Documents showing that sufficient contractual arrangements are in place to conduct the market operations	Section 4 and Annexure-5
6	Draft commercial code	Already approved by the Authority
7	The fee as may be specified by the Authority	Section 9

The Application is attached with this letter.

(Abid Latif Lodhi)
Chief Executive Officer, CPPA-G

Distribution:

- Company Secretary, CPPA-G, Islamabad
- Master File

Annex - H

Riaz Ahmad & Company
Chartered Accountants

2-A, ATS Centre, 30-West
Fazal-ul-Haq Road, Blue Area
Islamabad, Pakistan
T: +92 (51) 227 41 21 - 2
F: +92 (51) 227 88 59
racoisd@racopk.com
www.racopk.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED** ("the Company") as at 30 June 2016 and the related income and expenditure account, statement of comprehensive income, cash flow statement and statement of changes in general fund together with the notes forming part thereof, for the year then ended and we state that, except for the matters referred in paragraphs (i) to (iii) below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(i) As explained in Note 6.6 of the accompanying financial statements, government-owned distribution companies (DISCOs) and K-Electric do not acknowledge / recognize delayed payment surcharge paid by the Company and NTDCL, in periods prior to the transfer of Market Operations Undertaking under the Business Transfer Agreement (BTA) to the Company, to power producers passed through to DISCOs and K-Electric, on the grounds that the same is disallowed to them by NEPRA in their tariff determination. As at 30 June 2016, DISCOs and K-Electric have not recognized delayed payment surcharge amounting to Rupees 110.630 billion in their books of account and accordingly DISCOs have not confirmed the same in their balance confirmations. The Company has requested NEPRA for reconsideration of tariff determination of DISCOs. Hence, pending the reconsideration of tariff determination, no adjustments in these financial statements have been made.

(ii) As explained in Note 6.1 of the accompanying financial statements, Power Purchase Agency Agreements with K-Electric and TESCO have not been signed till the date of authorization for issue of these financial statements. However, the Company has accounted for the transactions relating to K-Electric and TESCO in the accompanying financial statements as an agent of K-Electric and TESCO based on assessment by the management that it shall be successful in signing the Power Purchase Agency Agreements with K-Electric and TESCO with effect from back date. If the Power Purchase Agency Agreements with K-Electric and TESCO are not signed with back date effect, accounting for the transactions relating to K-Electric and TESCO will not be done by the Company as their agent and will be routed through income and expenditure account. Pending the signing of Power Purchase Agency Agreements with K-Electric and TESCO, transactions relating to K-Electric and TESCO are being recorded by the Company as their agent.

(iii) The Company has not booked payable to NTDCL and corresponding receivable from DISCOs in respect of use of system charges amounting to Rupees 27.546 billion with the view that no invoices have been received from NTDCL in this respect. Accordingly, the balance of advance to NTDCL in the books of the Company does not reconcile with that of books of the NTDCL. We noted a difference of Rupees 29.061 billion between books of account of the Company and NTDCL as at 30 June 2016.

Except for the effects of the matters stated in paragraphs (i) to (iii) above, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the repealed Companies Ordinance, 1984;

(b) in our opinion:

i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, statement of comprehensive income, cash flow statement and statement of changes in general fund together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2016 and of the deficit, its comprehensive loss, its cash flows and changes in general fund for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to the matters discussed in note 5, note 6.2, note 6.3.1, note 13.1.1.1 and notes 15.1 to 15.8 to the accompanying financial statements, the ultimate outcome of which cannot presently be determined, and hence, pending the resolution thereof, no adjustments in these financial statements have been made. Our opinion is not qualified in respect of the matter discussed above.

Riaz Ahmad & Co

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Raheel Arshad

Date: 13 SEP 2017

ISLAMABAD

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

BALANCE SHEET AS AT 30 JUNE 2016

	NOTE	2016 Rupees	2015 Rupees
ASSETS			
Non-current assets			
Operating fixed assets	3	10,181,550	3,820,032
Receivable from NTDCL through loan notes	4	42,412,168,630	42,412,168,630
Long term advance - HUBCO	5	802,000,000	802,000,000
		43,224,350,180	43,217,988,662
Current assets			
Due from principals	6	280,632,015,839	317,182,711,613
Advance to NTDCL	7	10,332,586,892	-
Advances	8	10,056,335,008	31,550,004,328
Other receivables	9	79,272,519,112	85,205,351,248
Accrued mark-up	10	-	-
Cash and bank balances	11	14,534,491,214	9,933,282,778
		394,827,948,065	443,871,349,967
Total assets		438,052,298,245	487,089,338,629
FUND AND LIABILITIES			
FUND			
General fund		(101,610,787)	(11,799,456)
LIABILITIES			
Non-current liabilities			
Net worth	12	7,163,232,938	7,163,232,938
Payable to WAPDA for HUBCO	5	802,000,000	802,000,000
		7,965,232,938	7,965,232,938
Current liabilities			
Energy and other payables	13	430,157,461,392	479,124,733,897
Provision for taxation	14	31,214,702	11,171,250
		430,188,676,094	479,135,905,147
Total liabilities		438,153,909,032	487,101,138,085
Contingencies and commitments	15		
Total fund and liabilities		438,052,298,245	487,089,338,629

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30 JUNE 2016

	NOTE	2016 Rupees	2015 Rupees
INCOME			
Recovery of market operator fee from:	16		
- NTDCL		40,633,689	12,359,992
- profit on revenue collection accounts		356,596,311	29,710,008
		397,230,000	42,070,000
EXPENDITURE			
Operating expenses	17	(366,887,236)	(42,363,588)
Finance cost - bank charges		(1,167,233)	(35,541)
		(368,054,469)	(42,399,129)
SURPLUS / (DEFICIT) BEFORE TAXATION		29,175,531	(329,129)
TAXATION	18	(118,986,862)	(11,287,502)
DEFICIT AFTER TAXATION		(89,811,331)	(11,616,631)

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

Scanned by CamScanner

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	2016 Rupees	2015 Rupees
DEFICIT AFTER TAXATION	(89,811,331)	(11,616,631)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to income or expenditure	-	-
Items that may be reclassified subsequently to income or expenditure	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(89,811,331)	(11,616,631)

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	2016 Rupees	2015 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus / (deficit) before taxation	29,175,531	(329,129)
Adjustments for non-cash charges and other items:		
Depreciation	557,219	316,926
Profit on bank deposits	(356,596,311)	(29,710,008)
Finance cost - bank charges	1,167,233	35,541
Cash flows from operating activities before working capital changes	(325,696,328)	(29,686,670)
Working capital changes		
(Increase) / decrease in current assets		
Due from principals	36,550,695,774	(5,442,702,326)
Advance to NTDCL	(10,332,586,892)	-
Advances	21,493,669,320	(211,645)
Other receivables	5,932,832,136	-
Increase / (decrease) in current liabilities		
Energy and other payables	(48,967,272,505)	9,025,867,252
	4,677,337,833	3,582,953,281
Cash generated from operations	4,351,641,505	3,553,266,611
Income tax paid	(98,943,410)	(116,252)
Finance cost paid	(1,167,233)	(35,541)
Profit on bank deposit received	356,596,311	29,710,008
Interest received	-	11,388,400
Net cash from operating activities	4,608,127,173	3,594,213,226
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on operating fixed assets	(6,918,737)	-
	(6,918,737)	-
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net increase in cash and cash equivalents	4,601,208,436	3,594,213,226
Cash and cash equivalents transferred under the BTA	-	6,339,069,552
Cash and cash equivalents at the beginning of the year	9,933,282,778	-
Cash and cash equivalents at the end of the year	14,534,491,214	9,933,282,778

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED
STATEMENT OF CHANGES IN GENERAL FUND FOR THE YEAR ENDED 30 JUNE 2016

	GENERAL FUND
	Rupees
Balance as at 30 June 2014	(182,825)
Deficit for the year ended 30 June 2015	(11,616,631)
Other comprehensive income for the year ended 30 June 2015	-
Total comprehensive loss for the year ended 30 June 2015	(11,616,631)
Balance as at 30 June 2015	(11,799,456)
Deficit for the year ended 30 June 2016	(89,811,331)
Other comprehensive income for the year ended 30 June 2016	-
Total comprehensive loss for the year ended 30 June 2016	(89,811,331)
Balance as at 30 June 2016	(101,610,787)

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2016

1. THE COMPANY AND ITS OPERATIONS

1.1 Central Power Purchasing Agency (Guarantee) Limited ("the Company") is a Company limited by guarantee and not having share capital incorporated in Pakistan on 28 January 2009 under the Companies Ordinance, 1984. Its registered office is situated at 6th Floor, Shaheed-e-Millat Secretariat, Jinnah Avenue, Blue Area, Islamabad, Pakistan. The Company is incorporated to function as a not-for-profit organization, and the objects for which the Company is established are to implement and administer market mechanisms for electric power procurement and sale, by undertaking and performing functions and discharging responsibilities as are or may be laid down from time to time for the Company to undertake or perform in or pursuant to and in the manner prescribed under or pursuant to the provisions of the Regulation of Generation, Transmission and Distribution of Electric Power Act, (Act No. XL of 1997), and in the secondary legislation pursuant thereto, as amended from time to time, and to do all such other things as are incidental or conducive to the attainment of or in furtherance of the aforesaid objects and in furtherance of the policies, objectives and provisions of or contemplated under the aforesaid Act and secondary legislation made thereunder.

During the year ended 30 June 2015, the Company has signed a Business Transfer Agreement (BTA) dated 03 June 2015 with National Transmission and Despatch Company Limited (NTDCL), a separate government owned company. NTDCL has transferred its functions, operations, assets and liabilities related to CPPA and Contract Registrar and Power Exchange Administrator (CRPEA) to the Company (collectively referred to as Market Operations Undertaking). For a period of two years from the commencement of National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rules, 2015 notified vide SRO 541(I)/2015 dated 28 May 2015, the Company is deemed to be authorized and registered as the market operator under the aforesaid rules to commence and conduct the market operations. The Company has submitted application for registration in accordance with the provisions of these rules. The operations and responsibilities to be performed and discharged by the market operator, shall include the following in accordance with the grid code and the commercial code:

(a) To acquire, take over or assume the functions and business of settlement and development of competitive power market from CPPA to NTDCL and to carry on these functions and business;

(b) Procurement of electric power on behalf of the DISCOs, including import of power from other countries;

(c) Generation invoice verification on the basis of meter reading or dispatch scheduling report and term of the respective Power Purchase Agreements;

(d) Billing to the DISCOs based on the meter readings at Common Delivery Points as per the procedure defined in the commercial code;

(e) Collection from the DISCOs and settlement to the market participants as per the commercial code; and

(f) Management of cash flow, treasury management and other relevant banking functions for the purposes of collection and disbursement as per the commercial code.

The detail of assets and liabilities transferred to the Company as per resolution passed in meeting of Board of Directors of the Company held on 13 February 2017 are as follows:

Assets transferred to the Company	Rupees
Property and equipment, net of accumulated depreciation	4,136,958
Trade receivables	316,074,534,716
Advances, deposits and prepayments	2,926,481,710
Advances to suppliers and contractors	2,445,463
Accrued interest	7,570,720,320
Other receivable from associated companies	802,000,726
Current Account IOT (Net receivable)	128,046,147,321
Government loan mark-ups receivable adjustments in DISCOs	68,551,592,698
K-Electric differential of marginal cost (payable by GOP)	6,400,000,000
Events after the balance sheet date	11,291,401,024
Other receivable	65,493,053,684
Cash and bank balances	6,339,069,552
	613,501,584,172
Liabilities transferred to the Company	
Net worth	7,163,233,336
Trade payables	480,873,217,890
Miscellaneous accounts payable	874,326,840
Provision for KESC Accrued Interest	7,559,331,920
Current Account IOT (Net payable)	159,443,642,816
	655,913,752,802
Loan note receivable from NTDCL	**42,412,168,630**

In meeting held between the Company and NTDCL on 26 January 2017, both parties agreed that a net liability of Rupees 42.412 billion is payable by NTDCL to the Company as explained in Note 4 to these financial statements.

The settlement of this transaction through loan notes would be treated as full and final payment of the entire consideration in lieu of transfer of Market Operations Undertaking. However, as per BTA, any assets, receivable or liability relating to Market Operations not known to NTDCL and discovered by either party after the date of closing but within a period of two years (extended by further two years subsequently by both NTDCL and the Company), shall be immediately transferred to the Company. In case any assets, receivable or liability relating to Market Operations are discovered and transferred, it is expressly agreed between the parties that the purchase price of Rupees 42,412,168,630 shall accordingly be adjusted. The parties agree and acknowledge that the purchase price of Rupees 42,412,168,630 has been calculated on the basis of the actual book value of the Market Operations Undertaking (excluding the transferred employees). If, at any time, it is determined by both parties that the purchase price of Rupees 42,412,168,630 is required to be revised on account of change in book value, or due to prior miscalculation of the book value, of the Market Operations Undertaking (excluding the transferred employees), then the parties shall in good faith re-calculate the purchase price.

Article 5 of the BTA deals with the process of secondment / transfer of employees from NTDCL to the Company. Clause 5.1 of the BTA specifies NTDCL's employees working for the Company shall be placed on secondment for a period of twelve months. Further, during this period or till such time that any such employee accepts the offer to join the Company, he shall be deemed as the employee of NTDCL. Accordingly, the related retirement benefits of such employees have been retained by NTDCL as at 30 June 2015.

The Company has signed Power Procurement Agency Agreements with government-owned distribution companies (DISCOs). Hence, the DISCOs have appointed the Company as their agent to perform the Designated Purposes and procure power for and on behalf of the DISCOs, as per the regulatory framework prescribed by NEPRA and / or under the Commercial Code. The Power Procurement Agency

Agreements provide that title to the purchased electrical energy and generation capacity procured by the Company for and on behalf of the DISCOs as well as obligation of the DISCOs to make payment of transmission charges or use of system charges shall always vest in DISCOs and shall not pass to the Company at any time.

However, Power Procurement Agency Agreements with TESCO and K-Electric have not been signed till the date of authorization for issue of these financial statements. However, the management is confident that the Power Procurement Agency Agreements with TESCO and K-Electric will shortly be signed with effect from back date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below:

2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 on 30 May 2017. SECP vide its Circular 17 of 2017 and its press release dated 20 July 2017 has clarified that the companies whose financial year, including quarterly and other interim period, closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures about Company's operations and has also enhanced the definition of related parties.

b) Accounting convention

These financial statements have been prepared under the historical cost convention.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairments on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of operating fixed assets, with a corresponding effect on the depreciation charge and impairment.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

d) Standards that are effective in current year and are relevant to the Company

The following amendments to published approved standards and interpretation are mandatory for the Company's accounting periods beginning on or after 01 July 2015:

IFRS 12 'Disclosures of Interests in Other Entities' (effective for annual periods beginning on or after 01 January 2015). This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off-balance sheet vehicles. This standard does not have significant impact on these financial statements, except for certain additional disclosures.

IFRS 13 'Fair value Measurement' (effective for annual periods beginning on or after 01 January 2015). This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. This standard does not have significant impact on these financial statements, except for certain additional disclosures.

e) Amendments to published standards that are effective in current year but not relevant to the Company

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2015 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards and amendments to published standards that are not yet effective but relevant to the Company

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2016 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17, IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases–Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2016). Amendments have been made to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: clarification that information should not be obscured by aggregating or by providing immaterial information, materiality consideration apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality consideration do apply; clarification that the list of the line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in IAS 1. However, the amendments are not expected to have a material impact on the Company's financial statements.

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments will result in certain additional disclosures in the Company's financial statements.

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method which is based on revenue, generated by an activity by using of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset. However, the amendments are not expected to have a material impact on the Company's financial statements.

On 25 September 2014, IASB issued Annual Improvements to IFRSs: 2012 – 2014 Cycle, incorporating amendments to four IFRSs more specifically in IAS 34 'Interim Financial Reporting', which is considered relevant to the Company's financial statements. These amendments are effective for annual periods beginning on or after 01 January 2016. The amendment is unlikely to have a significant impact on the Company's financial statements and has therefore not been analyzed in detail.

g) Standard and amendments to published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2016 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Provisions and contingencies

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

Where the outflow of resources of embodying economics benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

2.3 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the period for such periods.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in statement of comprehensive income or directly in equity, respectively.

2.4 Foreign currencies

The financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at the spot rate. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses, where applicable, are recognized in the profit and loss account.

2.5 Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to profit and loss account on straight-line method so as to write off the cost of operating fixed assets over their estimated remaining useful lives at the rates specified in note 3. However, depreciation charged on assets that directly relates to construction and acquisition of other assets is included in the cost of such assets. Depreciation on addition to operating fixed assets is charged from the month in which the asset is available for use and continued till the month preceding the month of disposal.

An item of operating fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset which is calculated as the difference between the net disposal proceeds and carrying amount of the asset, is included in the profit and loss account in the year the asset is derecognized.

2.6 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

2.7 Loans and advances

These are initially recognized at cost, which is fair value of the consideration given. Subsequent to initial recognition, an assessment is made at each balance sheet date to determine whether an indication of impairment exist or not. If such indication exist, the estimated recoverable amount of that asset or group of assets is determined and impairment loss is recognized in the profit and loss account.

2.8 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, cash at bank and short term highly liquid investments, that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

2.9 Revenue recognition

In determining that the Company is acting as an agent of DISCOs and K-Electric, the Company has considered the guidance contained in IAS 18 'Revenue'. Paragraph 8 of IAS 18 states that 'in an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increase in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of commission.'

The Company is acting as an agent as it does not have exposure to the significant risks and rewards associated with the sale of electricity. One feature that indicates that the Company is acting as an agent is that the amount the Company earns is predetermined i.e. market operator fee as determined by National Electric Power Regulatory Authority (NEPRA).

Further, the Company has no responsibility for providing the goods to the customers, has no inventory risk, has no latitude in establishing prices and does not bears the customer's credit risk for the amount receivable from the customer.

Market operator fee is recognized as per determination of National Electric Power Regulatory Authority (NEPRA). Profit on deposits with banks is recognized on time proportion basis taking into account the amounts outstanding and rates applicable thereon.

2.10 Due from principals

Due from principals are carried at original invoice amount.

2.11 Energy and other payables

Liabilities for energy and other amounts payable are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

2.12 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for 'financial instrument at fair value through profit or loss' which is measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.13 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

2.14 Geographical Segment

The decision makers of the Company consider the whole Company as a single operating segment.

3 OPERATING FIXED ASSETS

3.1 Reconciliations of carrying amounts of operating fixed assets at the beginning and end of the year are as follows:

	Operating fixed assets			
	Computer and office equipment	Furniture and fixture	Vehicles	Total
	RUPEES			
At 30 June 2014				
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book value	-	-	-	-
Year ended 30 June 2015				
Opening net book value	-	-	-	-
Transferred from NTDCL:				
Cost	12,015,141	935,080	25,802,991	38,753,212
Accumulated depreciation	(11,219,787)	(857,830)	(22,538,637)	(34,616,254)
	795,354	77,250	3,264,354	4,136,958
Depreciation	(113,606)	(19,634)	(183,686)	(316,926)
Closing net book value	681,748	57,616	3,080,668	3,820,032
At 30 June 2015				
Cost	12,015,141	935,080	25,802,991	38,753,212
Accumulated depreciation	(11,333,393)	(877,464)	(22,722,323)	(34,933,180)
Net book value	681,748	57,616	3,080,668	3,820,032
Year ended 30 June 2016				
Opening net book value	681,748	57,616	3,080,668	3,820,032
Additions	5,085,177	-	1,833,560	6,918,737
Depreciation	(90,593)	(5,762)	(460,864)	(557,219)
Closing net book value	5,676,332	51,854	4,453,364	10,181,550
At 30 June 2016				
Cost	17,100,318	935,080	27,636,551	45,671,949
Accumulated depreciation	(11,423,986)	(883,226)	(23,183,187)	(35,490,399)
Net book value	5,676,332	51,854	4,453,364	10,181,550
Annual rate of depreciation (%)	10	10	10	

3.2 As explained in Note 1.1, certain assets were transferred to the Company on 03 June 2015 by NTDCL in accordance with the terms and conditions of the Business Transfer Agreement between NTDCL and the Company. However, title of the vehicles have not been transferred in the name of the Company with Vehicle Registration Authorities.

4 RECEIVABLE FROM NTDCL THROUGH LOAN NOTES

	NOTE	2016 Rupees	2015 Rupees
Total liabilities transferred by NTDCL	1.1	655,913,752,802	655,913,752,802
Total assets transferred by NTDCL	1.1	(613,501,584,172)	(613,501,584,172)
Loan note receivable from NTDCL	1.1	42,412,168,630	42,412,168,630

5 LONG TERM ADVANCE - HUBCO

This amount represents receivable from HUBCO on account of HUBCO first fuel fill, sanctioned by GOP. However, HUBCO has denied the payment of this amount and has disputed with WAPDA, and it has been agreed between both the parties on 01 April 2009 that both parties will have the legitimate opportunity in the 23rd year (i.e. 2020) of Commercial Operation Date (CoD) to raise this matter. The management has not discounted this to present value as the impact is not considered to be material.

6 DUE FROM PRINCIPALS

	NOTE	2016 Rupees	2015 Rupees
Lahore Electric Supply Company Limited (LESCO)		1,084,460,206	36,636,443,674
Faisalabad Electric Supply Company Limited (FESCO)		-	383,034,270
Multan Electric Power Company Limited (MEPCO)		40,422,347,179	51,820,492,259
Quetta Electric Supply Company Limited (QESCO)		206,683,205,609	195,520,458,651
Gujranwala Electric Power Company Limited (GEPCO)		11,545,866,203	19,968,669,832
Islamabad Electricity Supply Company Limited (IESCO)		18,081,160,238	23,754,358,014
Peshawar Electricity Supply Company Limited (PESCO)	6.2	290,170,580,322	306,957,197,338
Hyderabad Electric Supply Company Limited (HESCO)		179,237,596,734	158,696,396,593
Sukkur Electric Power Company Limited (SEPCO)		161,235,854,283	138,084,763,722
		908,461,070,774	931,821,814,353
Less: Allocation of GOP loans to DISCOs	6.3	(360,474,092,023)	(335,474,092,021)
Less: Government equity adjustments	6.4	(317,996,000,000)	(341,958,000,000)
		229,990,978,751	254,389,722,332
K-Electric Limited	6.5	50,638,583,386	62,790,535,579
Un-billed cost of electricity		2,453,702	2,453,702
		280,632,015,839	317,182,711,613

6.1 These represent amounts against settlement of energy purchases, receivable from Distribution Companies (DISCOs) and K-Electric. The Company has signed Power Procurement Agency Agreements with all DISCOs except TESCO to perform the designated purposes on the terms and conditions set forth in the agreements subject to the stipulations prescribed by NEPRA and / or commercial code. Power Procurement Agency Agreements with TESCO and K-Electric have not been signed till the date of authorization for issue of these financial statements. However, the management is confident that the Power Procurement Agency Agreements with TESCO and K-Electric will shortly be signed with effect from back date.

6.2 Uptill April 2015, NTDCL had Electricity Sale Agreement (ESA) entered into in 1998 with PESCO for supply of electricity. PESCO also transferred the electricity transmitted to it to TESCO as the NTDCL did not have a separate metering connection with TESCO. From April 2015, when the independent system of energy measurement for TESCO was installed, NTDCL signed a separate ESA with TESCO and is issuing separate sale invoices to TESCO, however, the balance receivable from TESCO in respect of invoices issued before April 2015 is still clubbed with balance receivable from PESCO. There is a difference of Rupees 4.002 billion in the amount of electricity cost taken by TESCO and PESCO in their respective balance confirmations on account of electricity transmitted to TESCO. Neither PESCO nor TESCO is acknowledging this balance as payable to the Company. However, the management of the Company is of the view that there shall be no impact of the aforesaid matter on net assets or surplus / deficit of the Company as the purchase price of Market Operations Undertaking of Rupees 42,412,168,630 receivable from NTDCL (as more fully explained in Note 1.1) can be adjusted in case of non-resolution of this matter.

6.3 Allocation of GOP loans to DISCOs	2016 Rupees	2015 Rupees
Lahore Electric Supply Company Limited (LESCO)	75,680,796,637	37,940,507,484
Faisalabad Electric Supply Company Limited (FESCO)	42,595,938,493	19,870,443,509
Multan Electric Power Company Limited (MEPCO)	55,646,069,727	32,130,060,637
Quetta Electric Supply Company Limited (QESCO)	22,789,409,958	46,704,993,870
Gujranwala Electric Power Company Limited (GEPCO)	31,919,429,918	16,742,428,223
Islamabad Electricity Supply Company Limited (IESCO)	36,764,375,424	19,747,847,583
Peshawar Electricity Supply Company Limited (PESCO)	56,079,313,111	81,176,465,164
Hyderabad Electric Supply Company Limited (HESCO)	24,100,371,285	48,287,973,134
Sukkur Electric Power Company Limited (SEPCO)	14,898,387,470	32,873,367,417
	360,474,092,023	335,474,092,021

Nau.

6.3.1 During the year 2015-16, as per the advice of Pakistan Electric Power Company (Private) Limited (PEPCO), the Company has allocated Rupees 25 billion in addition to Rupees 335 billion allocated in previous years to DISCOs on account of syndicated term finance facilities arranged by Power Holding (Private) Limited (PHPL) to pay off the obligations of IPPs towards the Company. Accordingly, the Company has adjusted payables to IPPs with a corresponding credit to receivable balances of DISCOs. These balances shall be repaid to PHPL on recovery from DISCOs. As at 30 June 2016, certain DISCOs have not acknowledged this adjustment amounting to Rupees 293.867 billion. Servicing of these loans is being managed by way of Financing Cost Surcharge levied under sub-section 5 of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 vide S.R.O. 908(I)/2014 dated 3 October 2014. However, certain DISCOs have not acknowledged the transfer of this mark-up amounting to Rupees 53.937 billion. However, the management of the Company is of the view that there shall be no impact of the aforesaid matter on net assets or surplus / deficit of the Company on ultimate settlement of the matter in view of levy of Financing Cost Surcharge.

6.4 Government equity adjustments in related parties	2016 Rupees	2015 Rupees
Lahore Electric Supply Company Limited (LESCO)	37,859,693,391	38,673,806,314
Faisalabad Electric Supply Company Limited (FESCO)	19,424,949,251	20,254,491,429
Multan Electric Power Company Limited (MEPCO)	30,842,173,186	32,751,057,493
Quetta Electric Supply Company Limited (QESCO)	47,258,132,074	47,607,689,159
Gujranwala Electric Power Company Limited (GEPCO)	15,950,154,600	17,066,019,126
Islamabad Electricity Supply Company Limited (IESCO)	19,668,802,906	20,129,526,018
Peshawar Electricity Supply Company Limited (PESCO)	64,694,475,876	82,745,411,150
Hyderabad Electric Supply Company Limited (HESCO)	48,937,767,847	49,221,268,704
Sukkur Electric Power Company Limited (SEPCO)	33,349,850,869	33,508,730,607
	317,996,000,000	341,958,000,000

6.4.1 During the year 2012-13, President of Islamic Republic of Pakistan sanctioned payment of Rupees 341.958 billion to PEPCO on account of settlement of Circular Debts. This sanction did not involve cash payment as the State Bank of Pakistan had been advised to credit the said amount to PEPCO for onward transmission to concerned IPPs/Entities as per mapping of the transaction.

6.5 NTDCL has entered into Energy Supply Agreement (ESA) with K-Electric on 26 January 2010 which expired in January 2015. According to ESA, invoice for every month is to be cleared by K-electric within 15 days. Mark-up @ KIBOR plus 3% is chargeable on any delayed payment of invoices. During the year, the Company has recorded a mark up amounting to Rupees 3,269 million (2015: Rupees 3,267 million) on unpaid invoices of K-Electric in these financial statements.

6.6 This includes mark-up on delayed payment amounting to Rupees 110,630 million charged to DISCOs and K-Electric which has not been acknowledged on the grounds that NEPRA disallowed the respective DISCOs and K-Electric for claiming these charges in their tariff determination. In this regards, the NTDCL vide its letter No. MD/NTDCL/4396-99 dated 06 December 2013, has approached NEPRA for resolution of the matter. On 20 July 2017, the Company vide its letter no. 6432-33/MCA/CPPA-G/R.P has once again requested NEPRA for reconsideration of tariff determination of XWDISCOs. The management based on the advice of Company's legal counsel, believes that there are commendable grounds to support the Company's stance and accordingly, these charges shall be recovered in due course.

7 ADVANCE TO NTDCL - unsecured - considered good

This includes amount paid to NTDCL in lieu of use of system charges and other expenses incurred by NTDCL on behalf of the Company. The Company has not booked payable to NTDCL and corresponding receivable from DISCOs in respect of use of system charges amounting to Rupees 27.546 billion with the view that no invoices have been received from NTDCL in this respect.

During the year, Ministry of Finance vide its notifications dated 28 April 2016, with the objective to clean the books of accounts of Power Sector Corporate Entities, directed the Company to reduce its balance payable towards NTDCL by Rupees 18.010 billion and WAPDA by Rupees 28.195 billion against receivables from PESCO, TESCO and K-Electric on account of non-cash payment of subsidies to these companies. Accordingly, the excess payments are shown as advance to NTDCL.

	NOTE	2016 Rupees	2015 Rupees
8 ADVANCES			
Unsecured - considered good			
Advances to GENCOs	8.1	10,052,545,249	31,549,708,183
Staff advances		2,921,764	211,645
Miscellaneous		867,995	84,500
		10,056,335,008	31,550,004,328

8.1 This includes advances given to:		
Central Power Generation Company Limited - related party	1,337,616,541	17,271,082,397
Northern Power Generation Company Limited - related party	3,881,250,571	9,378,122,376
Lakhra Power Generation Company Limited - related party	4,833,678,137	4,900,503,410
	10,052,545,249	31,549,708,183

9	OTHER RECEIVABLES	NOTE	2016 Rupees	2015 Rupees
	Mark-up receivable - related parties	9.1	78,562,251,029	85,123,629,576
	Management fee receivable - related parties	9.2	658,345,765	81,592,319
	Sales tax recoverable		51,922,318	129,353
			79,272,519,112	85,205,351,248

9.1	Mark-up receivable - related parties		
	Lahore Electric Supply Company Limited (LESCO)	17,280,360,995	19,544,044,998
	Faisalabad Electric Supply Company Limited (FESCO)	10,532,646,331	13,198,883,401
	Multan Electric Power Company Limited (MEPCO)	10,710,621,916	12,256,788,414
	Quetta Electric Supply Company Limited (QESCO)	3,792,113,086	3,358,454,173
	Gujranwala Electric Power Company Limited (GEPCO)	9,253,390,404	10,756,509,353
	Islamabad Electricity Supply Company Limited (IESCO)	10,802,603,173	11,031,585,256
	Peshawar Electricity Supply Company Limited (PESCO)	9,739,879,593	9,232,680,641
	Hyderabad Electric Supply Company Limited (HESCO)	4,291,868,985	3,889,484,416
	Tribal Areas Electricity Supply Company Limited (TESCO)	198,154	198,154
	Sukkur Electric Power Company Limited (SEPCO)	2,158,568,392	1,855,000,770
		78,562,251,029	85,123,629,576

9.1.1 This represents aggregate receivable from DISCOs on account of mark-up on syndicated term finance facility allocated to DISCOs as explained in Note 6.3.1. These balances are being repaid to PHPL on recovery from DISCOs. However, certain DISCOs have not acknowledged the transfer of this mark-up amounting to Rupees 53.937 billion. However, the management of the Company is of the view that there shall be no impact of the aforesaid matter on net assets or surplus / deficit of the Company on ultimate settlement of the matter in view of levy of Financing Cost Surcharge.

9.2	Management fee receivable - related parties	2016 Rupees	2015 Rupees
	Lahore Electric Supply Company Limited (LESCO)	128,091,697	11,698,469
	Faisalabad Electric Supply Company Limited (FESCO)	75,517,952	9,944,743
	Multan Electric Power Company Limited (MEPCO)	82,255,298	12,025,553
	Quetta Electric Supply Company Limited (QESCO)	30,708,375	2,526,201
	Gujranwala Electric Power Company Limited (GEPCO)	59,767,749	8,225,812
	Islamabad Electricity Supply Company Limited (IESCO)	54,281,565	7,411,582
	Peshawar Electricity Supply Company Limited (PESCO)	52,305,142	5,435,160
	Tribal Areas Electricity Supply Company Limited (TESCO)	24,902,068	1,391,846
	Hyderabad Electric Supply Company Limited (HESCO)	8,796,134	3,973,721
	Sukkur Electric Power Company Limited (SEPCO)	25,797,505	6,959,232
	Jamshoro Power Company Limited	34,746,592	3,600,000
	Central Power Generation Company Limited	34,746,592	3,600,000
	Northern Power Generation Company Limited	34,746,593	3,600,000
	Lakhra Power Generation Company Limited	11,682,503	1,200,000
		658,345,765	81,592,319

9.2.1 This represents amount paid to PEPCO in respect of management fee as per instructions of NEPRA. This amount will be received from DISCOs and GENCOs, however, no invoice has been sent in this respect so far.

10	ACCRUED MARK-UP	NOTE	2016 Rupees	2015 Rupees
	Interest on K-Electric receivables		7,559,331,920	7,559,331,920
	Provision for doubtful interest receivables		(7,559,331,920)	(7,559,331,920)
			-	-
11	CASH AND BANK BALANCES			
	Cash in hand		217	96
	Balances with the banks			
	- Deposit accounts	11.1 & 11.2	14,534,490,997	9,933,282,682
			14,534,491,214	9,933,282,778

11.1 The balances in saving accounts carry return ranging from 1.25% to 9.75% (2015: 1.25% to 9.75%) per annum.

11.2 This includes an amount of Rupees 212.597 million (2015: Rupees 36 million) held in bank accounts which are not in the name of the Company.

12 NET WORTH

NTDCL was required to issue shares to WAPDA against outstanding balance under BTA-WAPDA and SBTA-WAPDA. This balance has been transferred to the Company as per Business Transfer Agreement (BTA) entered into with NTDCL. The Company being limited by guarantee and not having share capital cannot issue shares to WAPDA / President of Pakistan. Hence, the purchase price of Market Operations Undertaking of Rupees 42,412,168,630 receivable from NTDCL (as more fully explianed in Note 1.1) will be adjusted against this balance.

13 ENERGY AND OTHER PAYABLES

	NOTE	2016 Rupees	2015 Rupees
Energy creditors	13.1	412,461,813,962	448,436,698,737
Payable to NTDCL - related party	7	-	30,349,749,555
K-Electric Limited	13.2	337,798,525	337,798,525
Advance from DISCO	13.3	12,037,499,406	-
Withholding tax payable		188,273	2,500
Tariff Rationalization Surcharge (TRS) payable to GOP	13.4	5,316,548,000	-
Other liabilities		3,613,226	484,580
		430,157,461,392	479,124,733,897

13.1 Energy creditors

	NOTE	2016 Rupees	2015 Rupees
Generation companies (GENCOs) - related party		22,478,851,528	29,391,468,302
WAPDA Hydel - related party	13.1.1	98,717,078,783	113,638,918,378
Chashma Nuclear Power Plant (Chasnupp) - related party		12,212,476,319	14,121,423,694
Others			
Independent Power Producers (IPPs)		264,859,079,477	274,441,597,950
Pehure Hydro Power Project		822,618,164	630,850,417
Jagran Hydro Power Project		1,332,643,456	1,110,115,926
Malakand Hydro Power Project		2,103,106,572	2,443,645,275
Import of Electricity - Tavanir Iran		9,935,959,663	12,658,678,795
		412,461,813,962	448,436,698,737

13.1.1 WAPDA Hydel - related party

	NOTE	2016 Rupees	2015 Rupees
Payable against purchase of energy and others		152,217,997,113	167,139,836,708
Less: balance receivable	13.1.1.1	(53,500,918,330)	(53,500,918,330)
		98,717,078,783	113,638,918,378

13.1.1.1 This includes Rupees 2,318 million receivable from WAPDA on behalf of Japan Power Generation Limited (JPGL) and Rupees 2.445 million on behalf of SEPCOL. The amount receivable from Japan Power Generation Limited (JPGL) on account of advance given for fuelling of power complex. This advance was given with the objective to provide continuous electricity supply to the general public during the times of heavy loadsheddings as JPGL did not have funds for fuel purchasing. The management is negotiating with JPGL for recovery / adjustment of this advance, however, they have not reached any resolution as at balance sheet date. As per the latest audited financial statements of JPGL, its financial position is adverse and its equity has been eroded and its total liabilities have exceeded its total assets. However, the management of the Company is of the view that there shall be no impact of the aforesaid matter on net assets or surplus / deficit of the Company as the purchase price of Market Operations Undertaking of Rupees 42,412,168,630 receivable from NTDCL (as more fully explianed in Note 1.1) can be adjusted in case of non-resolution of this matter.

13.2 This represents long outstanding balance payable to K-Electric since year 2008-09. This was transferred to the Company by NTDCL under BTA.

13.3 Advance from DISCO - related party

	2016 Rupees	2015 Rupees
Faisalabad Electric Supply Company Limited (FESCO)	12,037,499,406	-

13.4 This represents surcharge levied by GOP with an aim to maintain uniform tariff across the country and minimize or eliminate subsidy within the industrial, commercial and bulk customers.

14 PROVISION FOR TAXATION

	2016 Rupees	2015 Rupees
Balance at the beginning of the year	11,171,250	11,287,502
Provision made during the year	118,986,862	-
Income tax paid / deducted at source during the year	(98,943,410)	(116,252)
Balance at the end of year	31,214,702	11,171,250

15 CONTINGENCIES AND COMMITMENTS

As a result of BTA, all disputed balances and litigations pertaining to Market Operations Undertaking have been transferred to the Company from NTDCL. Charges raised due to litigation / arbitration proceedings on the Company are allowed as pass through to the power purchaser as capacity component. As the Company is acting as an agent on behalf of the Distribution Companies and accordingly the litigation / arbitration expense incurred on actual basis are being charged as pass through item as capacity transfer price.

15.1 The Company has disputed Capacity Purchase Price (CPP) of various IPPs amounting to Rupees 23.5 billion on account of non-availability of power complex for electricity generation due to working capital difficulties. The concerned IPPs have taken the plea that the power complex has been technically available for electricity generation, whereas, the default is on the Company's end as it does not make timely payments to the IPPs which renders them unable to make timely payments to fuel suppliers. IPPs have took this matter for expert determination and the experts have given their recommendations in favour of IPPs, now the issue is pending adjudication in arbitrations before ICC and London Court of International Arbitration (LCIA).

15.2 The Company has disputed mark up charged by WAPDA amounting to Rupees 4,912 million (2015: Rupees 4,912 million) on loan obtained by WAPDA to fulfil the working capital requirement of the Company. However, the Company has denied the payment of the said mark up with argument that in the absence of any formal PPA with WAPDA Hydro Electric, it is unable to entertain the same and accordingly no adjustment for this has been made in these financial statements.

15.3 The Company purchases electricity from Jagran, Pehure and Chashma II. However, no power purchase agreements (PPAs) have been signed and executed between the Company and such power producers. The impact of finalized PPA with these parties on these financial statements cannot be determined as at 30 June 2016.

15.4 The Southern Electric Power Company Limited (SEPCOL) has filed a suit in the International Court of Arbitration ("ICA") against the Company claiming damages amounting to Rupees 5,000 million. However, the said suit has been kept in abeyance by the SEPCOL in an attempt to resolve the matters amicably out-of-court. Whereas, the Company has raised the liquidated damages (LDs) of Rupees 2,500 million which has been disputed by the SEPCOL. The management is confident that the matter will be resolved in Company's favour.

The Company has booked an amount of Rupees 1,300 million as payable to Southern Electric Power Company on account of capacity purchase price which relates to the period June 2008 to May 2009. The management is of the view that it has no intention of paying the due amount as the power producer is in arbitration with the Company. Further, the Company has paid an advance of Rupees 533 million for purchase of fuel.

15.5 The Company has rejected the claim of GENCO- III related to sale of power to the Company amounting to Rupees 8,000 million on technical grounds. The ultimate outcome of matter cannot presently be determined, and consequently, no adjustments for such disputes has been made in these financial statements.

15.6 The Company has disputed late payment interest with Chashma II amounting to Rupees 1.7 billion on the grounds that no PPA has been signed and executed between them. The impact of the dispute on these financial statements cannot be determined in the absence of PPA.

15.7 DISCOs have disputed certain invoices on account of sale of energy and 13th invoice amounting to Rupees 0.534 billion (2015: Rupees 19.1 billion). The ultimate outcome of the matters cannot presently be determined, and consequently, no adjustment for such disputes have been made in these financial statements.

18 TAXATION

The Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. Further, provision against income from other sources is made under the relevant provisions of the Income Tax Ordinance, 2001. Provision for deferred income tax is not required as the Company is chargeable to tax under section 169 of the Income Tax Ordinance, 2001 and no temporary differences are expected to arise in the foreseeable future. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of presumptive taxation.

19 FINANCIAL RISK MANAGEMENT

19.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors (the Board). The Company's finance department evaluates and hedges financial risk. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is not exposed to any significant currency risk as most of its transactions are in local currency. There are no significant foreign currency receivables and payables as at the reporting date.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to other price risk.

(iii Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company has no significant long-term interest-bearing assets except for bank balances on deposit accounts.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	2016 Rupees	2015 Rupees
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	14,534,490,997	9,933,282,682

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuate by 1% higher / lower with all other variables held constant, deficit / surplus for the year would have been Rupees 98.835 million lower / higher (2015: Rupees 66.553 million), mainly as a result of higher / lower interest income on floating rate borrowings. This analysis is prepared assuming the amounts of bank balances at reporting dates were outstanding for the whole year.

(b) Credit risk

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The maximum exposure to credit risk at the reporting date was as follows:

	2016 Rupees	2015 Rupees
Bank balances	14,534,490,997	9,933,282,682

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Banks	Rating			2016	2015
	Short Term	Long term	Agency	Rupees	
National Bank of Pakistan	A1+	AAA	PACRA	2,665,317,595	2,495,955,223
Allied Bank Limited	A1+	AA+	PACRA	1,601,212,526	973,868,172
Askari Bank Limited	A1+	AA+	PACRA	1,803,427,165	614,139,667
Faysal Bank Limited	A1+	AA	PACRA	150,415,302	212,045,091
Habib Bank Limited	A-1+	AAA	JCR-VIS	3,341,673,215	1,658,118,891
The Bank of Punjab	A1+	AA-	PACRA	1,003,714,880	622,554,149
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	122,214,450	109,483,545
Bank of Khyber	A-1	A	JCR-VIS	250,422,363	299,395,485
Punjab Provincial Cooperative Bank Limited	Not rated	Not rated	Not rated	43,543,267	63,436,182
United Bank Limited	A1+	AAA	JCR-VIS	771,607,012	901,214,752
MCB Bank Limited	A1+	AAA	PACRA	1,311,006,591	1,983,071,525
Bank Alfalah Limited	A1+	AA	PACRA	205,371,639	-
Bank Al-Habib Limited	A1+	AA+	PACRA	1,101,826,402	-
Citibank, N.A.	P-1	A1	Moody's	17,465,204	-
First Women Bank Limited	A2	A-	PACRA	10,152,856	-
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	83,203,487	-
Meezan Bank Limited	A-1+	AA	JCR-VIS	51,917,043	-
				14,534,490,997	9,933,282,682

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Being an agent, the Company's bears no liquidity risk. The obligations towards the energy suppliers are passed on to the principals. The obligations towards the energy suppliers are backed by sovereign guarantee of Government of Pakistan.

19.2 Financial instruments by categories

Assets as per balance sheet

	Loans and receivables	
	2016	2015
	Rupees	Rupees
Due from principals	280,632,015,839	317,182,711,613
Advances	10,335,508,656	296,145
Other receivables	79,220,596,794	85,205,221,895
Cash and bank balances	14,534,491,214	9,933,282,778
	384,722,612,503	412,321,512,431

Financial liabilities as per balance sheet	Financial liabilities at amortized cost	
	2016	2015
	Rupees	Rupees
Energy and other payables	412,803,225,713	448,774,961,842

20. RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

(i) Fair value hierarchy

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classify its financial instruments into the following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

21 **REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS**

The aggregate amounts charged in these financial statements in respect of remuneration including certain benefits to the Chief Executive Officer and Directors of the Company are given below:

	Chief Executive Officer	
	2016	2015
Managerial remuneration	2,121,213	-
Allowances		
House rent	954,545	-
Utilities	212,121	-
Medical	212,121	-
Meeting fee	100,000	-
	3,600,000	-
Number of persons	1	-

Chief Executive Officer is provided with the Company's maintained vehicle.

The aggregate amount charged in these financial statements in respect of directors' meeting fee paid to non-executive directors is Rupees 1,070,000 (2015: 185,000).

No remuneration was paid to non-executive directors of the Company.

22 **TRANSACTIONS WITH RELATED PARTIES**

Related parties comprise of WAPDA, government owned distribution companies (DISCOs), GENCOs, directors of the Company and key management personnel. Detail of transactions with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2016 Rupees	2015 Rupees
Remuneration of key management personnel	8,887,500	-

23 **NUMBER OF EMPLOYEES**

	2016	2015
Number of employees as on June 30	6	-
Average number of employees during the year	3	-

23.1 Employees of the Company as at 30 June 2015 were Nil due to secondment of employees from NTDCL as explained in Note 1.1 to the financial statements.

24 **DATE OF AUTHORIZATION OF ISSUE**

These financial statements were authorized by the Board of Directors of the Company for issue on 24 AUG 2017.

25 **CORRESPONDING FIGURES**

Corresponding figures have been rearranged / regrouped, wherever necessary, for the purpose of comparison. However, no significant rearrangements / regroupings have been made during the year.

26 **GENERAL**

Figures have been rounded off to the nearest of Rupees.

CHIEF EXECUTIVE

DIRECTOR

Riaz Ahmad & Company
Chartered Accountants

2-A, ATS Centre, 30-West
Fazal-ul-Haq Road, Blue Area
Islamabad, Pakistan

T: +92 (51) 227 41 21 - 2
F: +92 (51) 227 88 59

racoisd@racopk.com
www.racopk.com

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED** ("the Company") as at 30 June 2017 and the related income and expenditure account, statement of comprehensive income, cash flow statement and statement of changes in general fund together with the notes forming part thereof, for the year then ended and we state that, except for the matters referred in paragraphs (i) to (iii) below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the repealed Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(i) As explained in Note 7.2 of the accompanying financial statements, government-owned distribution companies (DISCOs) and K-Electric do not acknowledge / recognize delayed payment surcharge paid by the Company and NTDCL, in periods prior to the transfer of Market Operations Undertaking under the Business Transfer Agreement (BTA) to the Company, to power producers passed through to DISCOs and K-Electric, on the grounds that the same is disallowed to them by NEPRA in their tariff determination. As at 30 June 2017, DISCOs and K-Electric have not recognized delayed payment surcharge amounting to Rupees 110.630 billion in their books of account and accordingly DISCOs have not confirmed the same in their balance confirmations. The Company has requested NEPRA for reconsideration of tariff determination of DISCOs. Hence, pending the reconsideration of tariff determination, no adjustments in these financial statements have been made.

(ii) As explained in Note 7.1 of the accompanying financial statements, Power Purchase Agency Agreements with K-Electric have not been signed till the date of authorization for issue of these financial statements. However, the Company has accounted for the transactions relating to K-Electric in the accompanying financial statements as an agent of K-Electric based on assessment by the management that it shall be successful in signing the Power Purchase Agency Agreements with K-Electric with effect from back date. If the Power Purchase Agency Agreement with K-Electric is not signed with back date effect, accounting for the transactions relating to K-Electric will not be done by the Company as its agent and will be routed through income and expenditure account.

(iii) As explained in Note 9 of the accompanying financial statements, the Company has not booked payable to NTDCL and corresponding receivable from DISCOs in respect of use of system charges amounting to Rupees 59.172 billion with the view that no invoices have been received from NTDCL in this respect. Accordingly, the balance of advance to NTDCL in the books of the Company does not reconcile with that of books of the NTDCL. We noted a difference of Rupees 61.933 billion between books of account of the Company and NTDCL as at 30 June 2017.

Except for the effects of the matters stated in paragraphs (i) to (iii) above, we report that:

(a) In our opinion, proper books of account have been kept by the Company as required by the repealed Companies Ordinance, 1984;

(b) In our opinion:

i) the balance sheet and income and expenditure account together with the notes thereon have been drawn up in conformity with the repealed Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Company's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) In our opinion and to the best of our information and according to the explanations given to us, the balance sheet, income and expenditure account, statement of comprehensive income, cash flow statement and statement of changes in general fund together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the repealed Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of the surplus, its comprehensive income, its cash flows and changes in general fund for the year then ended; and

(d) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to the matters discussed in note 6, note 7.3.1, note 16.1.1 and note 17 to the accompanying financial statements, the ultimate outcome of which cannot presently be determined, and hence, pending the resolution thereof, no adjustments in these financial statements have been made. Our opinion is not qualified in respect of the matters discussed above.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Raheel Arshad

Date:

ISLAMABAD

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

BALANCE SHEET AS AT 30 JUNE 2017

	NOTE	2017 Rupees	2016 Rupees
ASSETS			
Non-current assets			
Operating fixed assets	3	25,251,746	-
Intangible asset under development	4	13,534,921	10,181,550
Receivable from NTDCL through loan notes	5	42,412,168,630	42,412,168,630
Long term advance - HUBCO	6	802,000,000	802,000,000
		43,252,955,297	43,224,350,180
Current assets			
Due from principals	7	366,172,589,273	426,870,446,450
Market operation fee receivable	8	94,778,780	-
Advance to NTDCL	9	33,847,809,508	10,332,586,892
Advances	10	39,283,597,113	10,056,335,008
Accrued mark-up	11	-	-
Other receivables	12	74,070,329,997	79,274,972,814
Taxation recoverable	13	59,787,183	-
Cash and bank balances	14	15,174,113,841	14,534,491,214
		528,703,005,695	541,068,832,378
Total assets		571,955,960,992	584,293,182,558
FUND AND LIABILITIES			
FUND			
General fund		34,563,144	(101,610,787)
LIABILITIES			
Non-current liabilities			
Net worth	15	7,163,232,938	7,163,232,938
Payable to WAPDA for HUBCO	6	802,000,000	802,000,000
		7,965,232,938	7,965,232,938
Current liabilities			
Energy and other payables	16	563,956,164,910	576,398,345,705
Provision for taxation	13	-	31,214,702
		563,956,164,910	576,429,560,407
Total liabilities		571,921,397,848	584,394,793,345
Contingencies and commitments	17		
Total fund and liabilities		571,955,960,992	584,293,182,558

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 30 JUNE 2017

	NOTE	2017 Rupees	2016 Rupees
INCOME			
Recovery of market operation fee from:	18		
- DISCOs		619,483,491	-
- NTDCL		-	40,633,689
- Profit on revenue collection accounts		202,751,813	356,596,311
		822,235,304	397,230,000
EXPENDITURE			
Operating expenses	19	(546,041,443)	(366,887,236)
Finance cost - bank charges		(2,828,849)	(1,167,233)
		(548,870,292)	(368,054,469)
SURPLUS BEFORE TAXATION		273,365,012	29,175,531
TAXATION	20	(137,191,081)	(118,986,862)
SURPLUS / (DEFICIT) AFTER TAXATION		136,173,931	(89,811,331)

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	2017 Rupees	2016 Rupees
SURPLUS / (DEFICIT) AFTER TAXATION	136,173,931	(89,811,331)
OTHER COMPREHENSIVE INCOME		
Items that will not be reclassified to income or expenditure	-	-
Items that may be reclassified subsequently to income or expenditure	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR	136,173,931	(89,811,331)

The annexed notes form an integral part of these financial statements.

Lqu.

CHIEF EXECUTIVE

DIRECTOR

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	2017 Rupees	2016 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Surplus before taxation	273,365,012	29,175,531
Adjustments for non-cash charges and other items:		
Depreciation	8,519,906	557,219
Profit on bank deposits	(202,751,813)	(356,596,311)
Finance cost - bank charges	2,828,849	1,167,233
Cash flows from operating activities before working capital changes	81,961,954	(325,696,328)
Working capital changes		
(Increase) / decrease in current assets		
Due from principals	60,697,857,177	(109,690,188,539)
Market operation fee receivable	(94,778,780)	-
Advance to NTDCL	(23,515,222,616)	(10,332,586,892)
Advances	(29,227,262,105)	21,493,669,320
Other receivables	5,204,642,817	5,932,832,136
Increase / (decrease) in current liabilities		
Energy and other payables	(12,442,180,795)	97,273,611,808
	623,055,698	4,677,337,833
Cash generated from operations	705,017,652	4,351,641,505
Income tax paid	(228,192,966)	(98,943,410)
Finance cost paid	(2,828,849)	(1,167,233)
Profit on bank deposit received	202,751,813	356,596,311
Net cash generated from operating activities	676,747,650	4,608,127,173
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure on operating fixed assets	(23,590,102)	(6,918,737)
Intangible asset under development	(13,534,921)	-
Net cash used in investing activities	(37,125,023)	(6,918,737)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net increase in cash and cash equivalents	639,622,627	4,601,208,436
Cash and cash equivalents at the beginning of the year	14,534,491,214	9,933,282,778
Cash and cash equivalents at the end of the year	15,174,113,841	14,534,491,214

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE **DIRECTOR**

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED

STATEMENT OF CHANGES IN GENERAL FUND FOR THE YEAR ENDED 30 JUNE 2017

	GENERAL FUND
	Rupees
Balance as at 30 June 2015	(11,799,456)
Deficit for the year ended 30 June 2016	(89,811,331)
Other comprehensive income for the year ended 30 June 2016	-
Total comprehensive loss for the year ended 30 June 2016	(89,811,331)
Balance as at 30 June 2016	(101,610,787)
Surplus for the year ended 30 June 2017	136,173,931
Other comprehensive income for the year ended 30 June 2017	-
Total comprehensive income for the year ended 30 June 2017	136,173,931
Balance as at 30 June 2017	34,563,144

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

CENTRAL POWER PURCHASING AGENCY (GUARANTEE) LIMITED
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

1. THE COMPANY AND ITS OPERATIONS

1.1 Central Power Purchasing Agency (Guarantee) Limited ("the Company") is a Company limited by guarantee and not having share capital incorporated in Pakistan on 28 January 2009 under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017). Its registered office is situated at 6th Floor, Shaheed-e-Millat Secretariat, Jinnah Avenue, Blue Area, Islamabad, Pakistan. The Company is incorporated to function as a not-for-profit organization, and the objects for which the Company is established are to implement and administer market mechanisms for electric power procurement and sale, by undertaking and performing functions and discharging responsibilities as are or may be laid down from time to time for the Company to undertake or perform in or pursuant to and in the manner prescribed under or pursuant to the provisions of the Regulation of Generation, Transmission and Distribution of Electric Power Act, (Act No. XL of 1997), and in the secondary legislation pursuant thereto, as amended from time to time, and to do all such other things as are incidental or conducive to the attainment of or in furtherance of the aforesaid objects and in furtherance of the policies, objectives and provisions of or contemplated under the aforesaid Act and secondary legislation made thereunder.

During the year ended 30 June 2015, the Company has signed a Business Transfer Agreement (BTA) dated 03 June 2015 with National Transmission and Despatch Company Limited (NTDCL), a separate government owned company. NTDCL has transferred its functions, operations, assets and liabilities related to CPPA and Contract Registrar and Power Exchange Administrator (CRPEA) to the Company (collectively referred to as Market Operations Undertaking). For a period of two years from the commencement of National Electric Power Regulatory Authority (Market Operator Registration, Standards and Procedure) Rules, 2015 notified vide SRO 541(I)/2015 dated 28 May 2015, the Company is deemed to be authorized and registered as the market operator under the aforesaid rules to commence and conduct the market operations. The Company has submitted application for registration in accordance with the provisions of these rules. The operations and responsibilities to be performed and discharged by the market operator, shall include the following in accordance with the grid code and the commercial code:

(a) To acquire, take over or assume the functions and business of settlement and development of competitive power market from CPPA to NTDCL and to carry on these functions and business;

(b) Procurement of electric power on behalf of the DISCOs, including import of power from other countries;

(c) Generation invoice verification on the basis of meter reading or dispatch scheduling report and term of the respective Power Purchase Agreements;

(d) Billing to the DISCOs based on the meter readings at Common Delivery Points as per the procedure defined in the commercial code;

(e) Collection from the DISCOs and settlement to the market participants as per the commercial code; and

(f) Management of cash flow, treasury management and other relevant banking functions for the purposes of collection and disbursement as per the commercial code.

The detail of assets and liabilities transferred to the Company as per resolution passed in meeting of Board of Directors of the Company held on 13 February 2017 are as follows:

	Rupees
Assets transferred to the Company	
Property and equipment, net of accumulated depreciation	4,136,958
Trade receivables	316,074,534,716
Advances, deposits and prepayments	2,926,481,710
Advances to suppliers and contractors	2,445,463
Accrued Interest	7,570,720,320
Other receivable from associated companies	802,000,726
Current Account IOT (Net receivable)	128,046,147,321
Government loan mark-ups receivable adjustments in DISCOs	68,551,592,698
K-Electric differential of marginal cost (payable by GOP)	6,400,000,000
Events after the balance sheet date	11,291,401,024
Other receivable	65,493,053,684
Cash and bank balances	6,339,069,552
	613,501,584,172
Liabilities transferred to the Company	
Net worth	7,163,233,336
Trade payables	480,873,217,890
Miscellaneous accounts payable	874,326,840
Provision for KESC Accrued Interest	7,559,331,920
Current Account IOT (Net payable)	159,443,642,816
	655,913,752,802
Loan note receivable from NTDCL	**42,412,168,630**

In meeting held between the Company and NTDCL on 26 January 2017, both parties agreed that a net liability of Rupees 42.412 billion is payable by NTDCL to the Company as explained in Note 5 to these financial statements.

The settlement of this transaction through loan notes would be treated as full and final payment of the entire consideration in lieu of transfer of Market Operations Undertaking. However, as per BTA, any assets, receivable or liability relating to Market Operations not known to NTDCL and discovered by either party after the date of closing but within a period of two years (extended by further two years subsequently by both NTDCL and the Company), shall be immediately transferred to the Company. In case any assets, receivable or liability relating to Market Operations are discovered and transferred, it is expressly agreed between the parties that the purchase price of Rupees 42,412,168,630 shall accordingly be adjusted. The parties agree and acknowledge that the purchase price of Rupees 42,412,168,630 has been calculated on the basis of the actual book value of the Market Operations Undertaking (excluding the transferred employees). If, at any time, it is determined by both parties that the purchase price of Rupees 42,412,168,630 is required to be revised on account of change in book value, or due to prior miscalculation of the book value, of the Market Operations Undertaking (excluding the transferred employees), then the parties shall in good faith re-calculate the purchase price.

Article 5 of the BTA deals with the process of secondment / transfer of employees from NTDCL to the Company. Clause 5.1 of the BTA specifies NTDCL's employees working for the Company shall be placed on secondment for a period of twelve months. Further, during this period or till such time that any such employee accepts the offer to join the Company, he shall be deemed as the employee of NTDCL. Accordingly, the related retirement benefits of such employees have been retained by NTDCL as at 30 June 2015.

The Company has signed Power Procurement Agency Agreements with government-owned distribution companies (DISCOs). Hence, the DISCOs have appointed the Company as their agent to perform the Designated Purposes and procure power for and on behalf of the DISCOs, as per the regulatory framework prescribed by NEPRA and / or under the Commercial Code. The Power Procurement Agency Agreements provide that title to the purchased electrical energy and generation capacity procured by the Company for and on behalf of the DISCOs as well as obligation of the DISCOs to make payment of transmission charges or use of system charges shall always vest in DISCOs and shall not pass to the Company at any time.

However, Power Procurement Agency Agreement with K-Electric has not been signed till the date of authorization for issue of these financial statements. However, the management is confident that the Power Procurement Agency Agreement with K-Electric will shortly be signed with effect from back date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below:

2.1 Basis of preparation

a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017 on 30 May 2017. SECP vide its Circular 17 of 2017 and its press release dated 20 July 2017 has clarified that the companies whose financial year, including quarterly and other interim period, closes on or before 30 June 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. The Companies Act, 2017 requires enhanced disclosures about Company's operations and has also enhanced the definition of related parties.

b) Accounting convention

These financial statements have been prepared under the historical cost convention.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairments on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of operating fixed assets, with a corresponding effect on the depreciation charge and impairment.

Taxation

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

d) Amendments to published approved accounting standards that are effective in current year and are relevant to the Company

The following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2016:

IAS 16 (Amendments) 'Property, Plant and Equipment' (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method which is based on revenue, generated by an activity by using of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2016). Amendments have been made to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: clarification that information should not be obscured by aggregating or by providing immaterial information, materiality consideration apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality consideration do apply; clarification that the list of the line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in IAS 1.

The application of the above amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

e) Amendments to published standards that are effective in current year but not relevant to the Company

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2016 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

f) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2017 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 'Financial Instruments: Recognition and Measurement'. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liablities are carried forward from IAS 39. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.
IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 replaces IAS 11 'Construction Contracts', IAS 18 'Revenue', IFRIC 13 'Customer Loyalty Programmes', IFRIC 15 'Agreements for Construction of Real Estate', IFRIC 18 'Transfer of Assets from Customers' and SIC 31' Revenue-Barter Transactions Involving Advertising Services. The aforesaid standard is not expected to have a material impact on the Company's financial statements.

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 'Leases'. IFRS 16 replaces IAS 17 'Leases', IFRIC 4 'Determining Whether an Arrangement Contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The management of the Company is in the process of evaluating the impacts of the aforesaid standard on the Company's financial statements.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018). IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The interpretation is not expected to have a material impact on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Company's financial statements.

IAS 7 (Amendments), 'Statement of Cash Flows' (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments will result in certain additional disclosures in the Company's financial statements.

On 8 December 2016, IASB issued Annual Improvements to IFRSs: 2014 – 2016 Cycle, incorporating amendments to three IFRSs more specifically in IFRS 12 'Disclosure of Interests in Other Entities' and IAS 28 'Investments in Associates and Joint Ventures'. These amendments are effective for annual periods beginning on or after 01 January 2017 and 01 January 2018 respectively. These amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

g) Standard and amendments to published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2017 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Provisions and contingencies

Provisions are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of past events and it is probable that outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of obligation. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

Where the outflow of resources of embodying economics benefits is not probable, a contingent liability is disclosed, unless the possibility of outflow is remote.

2.3 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the period if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the period for such periods.

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in statement of comprehensive income or directly in equity, respectively.

2.4 Foreign currencies

The financial statements are presented in Pak Rupees, which is the Company's functional currency. All monetary assets and liabilities in foreign currencies are translated into Pak Rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Pak Rupees at the spot rate. All non-monetary items are translated into Pak Rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined. Exchange gains and losses, where applicable, are recognized in income and expenditure account.

2.5 Operating fixed assets

Operating fixed assets are stated at cost less accumulated depreciation and any identified impairment loss.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.

Depreciation is charged to income and expenditure account on reducing balance method so as to write off the cost of operating fixed assets over their estimated remaining useful lives at the rates specified in note 3. However, depreciation charged on assets that directly relates to construction and acquisition of other assets is included in the cost of such assets. Depreciation on addition to operating fixed assets is charged from the month in which the asset is available for use and continued till the month preceding the month of disposal.

An item of operating fixed assets is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset which is calculated as the difference between the net disposal proceeds and carrying amount of the asset, is included in the income and expenditure account in the year the asset is derecognized.

2.6 Impairment

a) Financial assets

A financial asset is considered to be impaired if objective evidence indicate that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as a difference between its carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available for sale financial asset is calculated with reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

b) Non-financial assets

The Company assesses at each balance sheet date whether there is any indication that assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, assets are written down to the recoverable amount and the difference is charged to the income and expenditure account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in income and expenditure account.

2.7 Loans and advances

These are initially recognized at cost, which is fair value of the consideration given. Subsequent to initial recognition, an assessment is made at each balance sheet date to determine whether an indication of impairment exist or not. If such indication exist, the estimated recoverable amount of that asset or group of assets is determined and impairment loss is recognized in the income and expenditure account.

2.8 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, cash at bank and short term highly liquid investments, that are readily convertible to known amount of cash and which are subject to an insignificant risk of change in value.

2.9 Revenue recognition

In determining that the Company is acting as an agent of DISCOs and K-Electric, the Company has considered the guidance contained in IAS 18 'Revenue'. Paragraph 8 of IAS 18 states that 'in an agency relationship, the gross inflows of economic benefits include amounts collected on behalf of the principal and which do not result in increase in equity for the entity. The amounts collected on behalf of the principal are not revenue. Instead, revenue is the amount of commission.'

The Company is acting as an agent as it does not have exposure to the significant risks and rewards associated with the sale of electricity. One feature that indicates that the Company is acting as an agent is that the amount the Company earns is predetermined i.e. market operator fee as determined by National Electric Power Regulatory Authority (NEPRA).

Further, the Company has no responsibility for providing the goods to the customers, has no inventory risk, has no latitude in establishing prices and does not bears the customer's credit risk for the amount receivable from the customer.

Market operator fee is recognized as per determination of National Electric Power Regulatory Authority (NEPRA). Profit on deposits with banks is recognized on time propoition basis taking into account the amounts outstanding and rates applicable thereon.

2.10 Due from principals and other receivables

Due from principals and other receivables are carried at original invoice amount.

2.11 Energy and other payables

Liabilities for energy and other amounts payable are measured at cost which is the fair value of the consideration to be paid in the future for goods and services received whether billed to the Company or not.

2.12 Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for 'financial instrument at fair value through profit or loss' which is measured initially at fair value.

Financial assets are de-recognized when the Company loses control of the contractual rights that comprise the financial asset. The Company loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Company surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.13 Off setting

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

2.14 Geographical segment

The decision makers of the Company consider the whole Company as a single operating segment.

2.15 Employee benefits

Provident fund

The Company operates a contributory provident fund scheme for all its employees. Monthly contributions are made to the fund @ 5% of the basic salary both by the Company and employees.

Gratuity fund

The Company operates unapproved funded gratuity scheme covering all of its employees who have completed the minimum qualifying period of service as defined under the scheme. The gratuity scheme is managed by trustees. The calculation of the benefit requires assumptions to be made of future outcomes, the principal ones being in respect of increase in remuneration and the discount rate used to convert future cash flows to current values.

3 OPERATING FIXED ASSETS

3.1 Reconciliations of carrying amounts of operating fixed assets at the beginning and end of the year are as follows:

	Operating fixed assets				
	IT and networking equipment	Furniture and fixture	Vehicles	Office equipment	Total
	RUPEES				
Year ended 30 June 2016					
Opening net book value	681,748	57,616	3,080,668		3,820,032
Additions	5,085,177	-	1,833,560		6,918,737
Depreciation	(90,593)	(5,762)	(460,864)		(557,219)
Closing net book value	5,676,332	51,854	4,453,364		10,181,550
At 30 June 2016					
Cost	17,100,318	935,080	27,636,551	-	45,671,949
Accumulated depreciation	(11,423,986)	(883,226)	(23,183,187)	-	(35,490,399)
Net book value	5,676,332	51,854	4,453,364	-	10,181,550
Year ended 30 June 2017					
Opening net book value	5,676,332	51,854	4,453,364	-	10,181,550
Additions	6,314,941	10,464,766	-	6,810,395	23,590,102
Depreciation	(3,624,684)	(1,377,095)	(2,803,160)	(714,967)	(8,519,906)
Closing net book value	8,366,589	9,139,525	1,650,204	6,095,428	25,251,746
At 30 June 2017					
Cost	23,415,259	11,399,846	27,636,551	6,810,395	69,262,051
Accumulated depreciation	(15,048,670)	(2,260,321)	(25,986,347)	(714,967)	(44,010,305)
Net book value	8,366,589	9,139,525	1,650,204	6,095,428	25,251,746
Annual rate of depreciation (%)	33.3%	20%	10%	20%	

4 INTANGIBLE ASSET UNDER DEVELOPMENT

This represents advance given for implementation of Enterprise Resource Planning (ERP) system.

	NOTE	2017 Rupees	2016 Rupees
5 RECEIVABLE FROM NTDCL THROUGH LOAN NOTES			
Total liabilities transferred by NTDCL	5.1	655,913,752,802	655,913,752,802
Total assets transferred by NTDCL	5.1	(613,501,584,172)	(613,501,584,172)
Loan note receivable from NTDCL	5.1	42,412,168,630	42,412,168,630

6 LONG TERM ADVANCE - HUBCO - considered good

This amount represents receivable from HUBCO on account of HUBCO first fuel fill, sanctioned by GOP. However, HUBCO has denied the payment of this amount and has disputed with WAPDA, and it has been agreed between both the parties on 01 April 2005 that both parties will have the legitimate opportunity in the 23rd year (i.e. 2020) of Commercial Operation Date (CoD) to raise this matter. The management has not discounted this to present value as the impact is not considered to be material.

	NOTE	2017 Rupees	2016 Rupees
7 DUE FROM PRINCIPALS			
Lahore Electric Supply Company Limited (LESCO)		18,052,352,835	1,054,460,206
Faisalabad Electric Supply Company Limited (FESCO)		9,584,730,233	-
Multan Electric Power Company Limited (MEPCO)		68,296,753,793	40,422,347,179
Quetta Electric Supply Company Limited (QESCO)		231,335,920,754	206,883,205,609
Gujranwala Electric Power Company Limited (GEPCO)		6,938,654,974	11,545,865,203
Islamabad Electric Supply Company Limited (IESCO)		40,340,294,516	18,081,150,238
Peshawar Electric Supply Company Limited (PESCO)		257,172,428,350	441,723,012,635
Tribal Areas Electric Supply Company Limited (TESCO)		22,374,420,555	-
Hyderabad Electric Supply Company Limited (HESCO)		203,076,287,483	179,237,596,734
Sukkur Electric Power Company Limited (SEPCO)		159,766,330,367	161,235,854,293
		1,067,548,219,410	1,059,018,503,067
Less: Allocation of GOP loans to DISCOs	7.3	(431,474,092,020)	(360,474,092,023)
Less: Government equity adjustments	7.4	(317,996,000,000)	(317,996,000,000)
Less: Tariff Rationalization Surcharge	7.5	(20,969,656,105)	(5,316,548,000)
		297,108,471,285	375,231,863,044
K-Electric Limited	7.5	69,064,117,588	50,638,583,386
		366,172,588,873	425,870,446,430

7.1 These represent amounts against settlement of energy purchases receivable from Distribution Companies (DISCOs) and K-Electric. The Company has signed Power Procurement Agency Agreements with all DISCOs to perform the designated purposes on the terms and conditions set forth in the agreements subject to the stipulations prescribed by NEPRA and / or commercial code. Power Procurement Agency Agreement with K-Electric has not been signed till the date of authorization for issue of these financial statements. However, the management is confident that the Power Procurement Agency Agreement with K-Electric will shortly be signed with effect from back date.

7.2 This includes mark-up on delayed payment amounting to Rupees 118,530 million charged to DISCOs and K-Electric which has not been acknowledged on the grounds that NEPRA disallowed the respective DISCOs and K-Electric for claiming these charges in their tariff determination. In this regards, the NTDCL vide its letter No. MD/NTDC/MOS6-99 dated 06 December 2013, has approached NEPRA for resolution of the matter. On 20 July 2017, the Company vide its letter no. 6432-38/MCA/CPPA-G/RLP has once again requested NEPRA for reconsideration of tariff determination of XWDISCOs. The management based on the advice of Company's legal counsel, believes that there are commendable grounds to support the Company's stance and accordingly, these charges shall be recovered in due course.

	2017 Rupees	2016 Rupees
7.3 Allocation of GOP loans to DISCOs		
Lahore Electric Supply Company Limited (LESCO)	48,797,546,058	75,680,756,537
Faisalabad Electric Supply Company Limited (FESCO)	25,556,613,089	42,595,932,493
Multan Electric Power Company Limited (MEPCO)	41,324,463,071	55,546,063,727
Quetta Electric Supply Company Limited (QESCO)	60,070,157,080	22,789,409,558
Gujranwala Electric Power Company Limited (GEPCO)	21,533,478,107	31,919,429,918
Islamabad Electric Supply Company Limited (IESCO)	25,358,934,944	35,764,375,424
Peshawar Electric Supply Company Limited (PESCO)	104,406,100,003	56,079,313,111
Hyderabad Electric Supply Company Limited (HESCO)	62,106,171,583	24,100,371,255
Sukkur Electric Power Company Limited (SEPCO)	42,280,482,145	14,898,387,470
	431,474,092,020	360,474,092,023

7.3.1 During the year 2016-17, the Company has allocated Rupees 71 billion in addition to Rupees 360 billion allocated in previous years to DISCOs on account of syndicated term finance facilities arranged by Power Holding (Private) Limited (PHPL) to pay off the obligations of IPPs towards the Company. Accordingly, the Company has adjusted payables to IPPs with a corresponding credit to receivable balances of DISCOs. These balances shall be repaid to PHPL on recovery from DISCOs. As at 30 June 2017, certain DISCOs have not acknowledged this adjustment amounting to Rupees 364.867 billion (2016: Rupees 293.867 billion). Servicing of these loans is being managed by way of Financing Cost Surcharge levied under sub-section 5 of section 31 of the Regulation of Generation, Transmission and Distribution of Electric Power Act, 1997 vide S.R.O. 908(I)/2014 dated 3 October 2014. However, certain DISCOs have not acknowledged the transfer of this mark-up amounting to Rupees 53.937 billion (2016: 53.937 billion).

	2017 Rupees	2016 Rupees
7.4 Government equity adjustments in related parties		
Lahore Electric Supply Company Limited (LESCO)	37,859,693,391	37,859,693,391
Faisalabad Electric Supply Company Limited (FESCO)	19,424,949,251	19,424,949,251
Multan Electric Power Company Limited (MEPCO)	30,842,173,186	30,842,173,186
Quetta Electric Supply Company Limited (QESCO)	47,268,132,074	47,268,132,074
Gujranwala Electric Power Company Limited (GEPCO)	15,950,154,600	15,950,154,600
Islamabad Electric Supply Company Limited (IESCO)	19,668,802,906	19,668,802,906
Peshawar Electric Supply Company Limited (PESCO)	64,694,475,876	64,694,475,876
Hyderabad Electric Supply Company Limited (HESCO)	48,937,767,847	48,937,767,847
Sukkur Electric Power Company Limited (SEPCO)	33,349,850,869	33,349,850,869
	317,996,000,000	317,996,000,000

7.4.1 During the year 2012-13, President of Islamic Republic of Pakistan sanctioned payment of Rupees 341.958 billion to PEPCO on account of settlement of Circular Debts. This sanction did not involve cash payment as the State Bank of Pakistan had been advised to credit the said amount to PEPCO for onward transmission to concerned IPPs/Entities as per mapping of the transaction. On 28 April 2016, Ministry of Finance vide its letter No. F1(4)-CF.I/2015-16/443 reduced the amount by 23.962 billion with corresponding decrease in DISCOs.

7.5 This represents surcharge levied by GOP with an aim to maintain uniform tariff across the country and minimize / eliminate subsidy within the industrial, commercial and bulk customers. The collection of such surcharge is deposited in Tariff Rationalization Fund for discharging of liability of power producers. During the year, the Company utilized the fund for payment of IPPs and credited the receivables with the view that the same shall be allocated to DISCOs in future periods.

7.6 NTDCL has entered into Energy Supply Agreement (ESA) with K-Electric on 26 January 2010 which expired in January 2015. According to expired ESA, 90% of the invoice for every month to be cleared by K-electric within 15 days while the remaining amount payable along with next month invoice. Mark-up @ KIBOR plus 3% is chargeable on any delayed payment of invoices. During the year, the Company has recorded a mark up amounting to Rupees 5,557 million (2016: Rupees 3,269 million) on unpaid invoices of K-Electric in these financial statements.

8 MARKET OPERATION FEE RECEIVABLE - considered good

This represents market operation fee receivable from DISCOs for the administration, maintenance and implementation of the Commercial Code, NEPRA (Market Operator Registration, Standards and Procedure) Rules, supervision of compliance by market participants and the billing, collection, settlement and payments procedures.

9 ADVANCE TO NTDCL - unsecured - considered good

This includes amount paid to NTDCL in lieu of use of system charges and other expenses incurred by NTDCL on behalf of the Company. The Company has not booked payable to NTDCL and corresponding receivable from DISCOs in respect of use of system charges amounting to Rupees 59.172 billion (2016: 27.546 billion) with the view that no invoices have been received from NTDCL in this respect.

Ministry of Finance vide its notifications dated 28 April 2016, with the objective to clean the books of accounts of Power Sector Corporate Entities, directed the Company to reduce its balance payable towards NTDCL by Rupees 13.010 billion and WAPDA by Rupees 28.195 billion against receivables from PESCO, TESCO and K-Electric on account of non-cash payment of subsidies to these companies. Accordingly, the excess payments, in addition to amounts described in above paragraph, are shown as advance to NTDCL. As at the balance sheet date, NTDCL has not recognized / confirmed this amount.

	NOTE	2017 Rupees	2016 Rupees
10 ADVANCES			
Unsecured - considered good			
Advances to GENCOs / IPPs	10.1	39,272,101,224	10,052,545,249
Staff advances		10,627,894	2,921,764
Miscellaneous		867,995	867,995
		39,283,597,113	10,056,335,008
10.1 This includes advances given to:			
Central Power Generation Company Limited - related party		1,349,365,013	1,337,616,541
Northern Power Generation Company Limited - related party	10.1.1	32,806,834,021	3,881,250,571
Lakhra Power Generation Company Limited - related party		5,115,902,190	4,833,678,137
		39,272,101,224	10,052,545,249

10.1.1 This includes fuel payments to Pakistan State Oil (PSO) on behalf of Northern Power Generation Company Limited.

		NOTE	2017 Rupees	2016 Rupees
11	**ACCRUED MARK-UP**			
	Interest on K-Electric receivables		7,559,331,920	7,559,331,920
	Provision for doubtful interest receivables		(7,559,331,920)	(7,559,331,920)
			-	-
12	**OTHER RECEIVABLES**			
	Mark-up receivable - related parties	12.1	74,026,029,457	78,562,251,029
	Management fee receivable - related parties	12.2	-	658,345,765
	Sales tax recoverable		11,976,838	51,922,318
	Others		32,323,702	2,453,702
			74,070,329,997	79,274,972,814
12.1	**Mark-up receivable - related parties**			
	Lahore Electric Supply Company Limited (LESCO)		4,028,408,411	17,280,360,995
	Faisalabad Electric Supply Company Limited (FESCO)		2,047,585,101	10,532,646,331
	Multan Electric Power Company Limited (MEPCO)		2,345,995,199	10,710,621,916
	Quetta Electric Supply Company Limited (QESCO)		13,485,478,582	3,792,113,086
	Gujranwala Electric Power Company Limited (GEPCO)		3,483,125,757	9,253,390,404
	Islamabad Electric Supply Company Limited (IESCO)		4,839,021,001	10,802,603,173
	Peshawar Electric Supply Company Limited (PESCO)		21,177,180,778	9,739,879,593
	Hyderabad Electric Supply Company Limited (HESCO)		13,504,788,708	4,291,868,985
	Tribal Areas Electric Supply Company Limited (TESCO)		198,154	198,154
	Sukkur Electric Power Company Limited (SEPCO)		9,114,247,766	2,158,568,392
			74,026,029,457	78,562,251,029

12.1.1 This represents aggregate receivable from DISCOs on account of mark-up on syndicated term finance facility allocated to DISCOs as explained in Note 7.3.1. These balances are being repaid to PHPL on recovery from DISCOs. However, certain DISCOs have not acknowledged the transfer of this mark-up amounting to Rupees 53.937 billion (2016: Rupees 53.937 billion). The management of the Company is of the view that there shall be no impact of the aforesaid matter on net assets or surplus / deficit of the Company on ultimate settlement of the matter in view of levy of Financing Cost Surcharge.

12.2 This represents amount paid to PEPCO in respect of management fee as per instructions of PEPCO on behalf of DISCOs and GENCOs.

		NOTE	2017 Rupees	2016 Rupees
13	**TAXATION RECOVERABLE**			
	Balance at the beginning of the year		(31,214,702)	(11,171,250)
	Income tax paid / deducted at source during the year		228,192,966	98,943,410
	Provision made during the year		(137,191,081)	(118,986,862)
	Balance at the end of year		59,787,183	(31,214,702)
14	**CASH AND BANK BALANCES**			
	Cash in hand		217	217
	Balances with the banks			
	- deposit accounts	14.1, 14.2 & 14.3	15,174,113,624	14,534,490,997
			15,174,113,841	14,534,491,214

14.1 The balances in saving accounts carry return ranging from 3.75% to 4% (2016: 1.25% to 9.75%) per annum.

14.2 This includes an amount of Rupees 123.841 million (2016: Rupees 212.597 million) held in bank accounts which are not in the name of the Company.

14.3 This includes amount of Rupees 2.607 billion (2016: 2.748 billion) held in escrow account for payment to WAPDA Hydel.

2/53

17 CONTINGENCIES AND COMMITMENTS

As a result of BTA, all disputed balances and litigations pertaining to Market Operations Undertaking have been transferred to the Company from NTDCL. Charges raised due to litigation / arbitration proceedings on the Company are allowed as pass through to the power purchaser as capacity component. As the Company is acting as an agent on behalf of the Distribution Companies and accordingly the litigation / arbitration expense incurred on actual basis are being charged as pass through item as capacity transfer price.

17.1 The Company has disputed Capacity Purchase Price (CPP) of various IPPs amounting to Rupees 23.5 billion on account of non-availability of power complex for electricity generation due to working capital difficulties. The concerned IPPs have taken the plea that the power complex has been technically available for electricity generation, whereas, the default is on the Company's end as it does not make timely payments to the IPPs which renders them unable to make timely payments to fuel suppliers. IPPs have took this matter for expert determination and the experts have given their recommendations in favour of IPPs, now the issue is pending adjudication in arbitrations before ICC and London Court of International Arbitration (LCIA).

17.2 The Company has disputed mark up charged by WAPDA amounting to Rupees 4,912 million (2016: Rupees 4,912 million) on loan obtained by WAPDA to fulfil the working capital requirement of the Company. However, the Company has denied the payment of the said mark up with argument that in the absence of any formal PPA with WAPDA Hydro Electric, it is unable to entertain the same and accordingly no adjustment for this has been made in these financial statements.

17.3 The Company purchases electricity from Jagran-I, Pehure and Chashma III. However, no power purchase agreements (PPAs) have been signed and executed between the Company and such power producers. The impact of finalized PPA with these parties on these financial statements cannot be determined as at 30 June 2017.

17.4 The Southern Electric Power Company Limited (SEPCOL) has filed a suit in the International Court of Arbitration ("ICA") against the Company claiming damages amounting to Rupees 5,000 million. However, the said suit has been kept in abeyance by the SEPCOL in an attempt to resolve the matters amicably out-of-court. Whereas, the Company has raised the liquidated damages (LDs) of Rupees 2,500 million which has been disputed by the SEPCOL. The management is confident that the matter will be resolved in Company's favour.

The Company has booked an amount of Rupees 1,300 million as payable to Southern Electric Power Company on account of capacity purchase price which relates to the period June 2008 to May 2009. The management is of the view that it has no intention of paying the due amount as the power producer is in arbitration with the Company. Further, the Company has paid an advance of Rupees 533 million for purchase of fuel.

17.5 The Company filed an appeal before Appellate Tribunal Inland Revenue (ATIR) against order of Commissioner Inland Revenue (Appeals) (CIR(A)) wherein the order of Assistant Commissioner Inland Revenue (ACIR) creating demand of Rupees 1,514 million and Rupees 816 million for tax years 2016 and 2017 respectively under section 153(1)(b) of the Income Tax Ordinance, 2001 was upheld. The taxation authorities have recovered tax amounting to Rupees 1,173 million against the collective demand of Rupees 2,330 million for tax year 2016 and 2017 through attachment of bank accounts of the Company. The Company has booked receivable from NTDCL against such amount and obtained stay from ATIR against remaining outstanding demand. No provision has been made in these financial statements as the Company is hopeful of a favorable outcome of the case.

17.6 Tax authorities have created a demand of Rupees 1.1915 billion to pay minimum tax under section 113 of the Income Tax Ordinance, 2001 against which writ petition has been filed by the Company in Islamabad High Court where the matter is pending adjudication.

17.7 The ACIR has imposed a penalty amounting to Rupees 221.066 million and default surcharge amounting to Rupees 646.446 million on account of late payment of sales tax during the period from December 2015 to June 2016. The Company has not booked any provision on grounds that the Company operates as agent of DISCOs and does not involve any value addition activity, the output tax charged by the Company to DISCOs should be equal to the input tax claimed by the Company. However, the Company records purchase of energy based on provisional invoices resulting in inflation of input tax and corresponding output tax charged to DISCOs. This is subsequently adjusted through issuance of credit notes to DISCOs. The Company has obtained condonation from tax authorities of the time limit for issuance of credit notes to its customers.

17.8 The Company has rejected the claim of GENCO-III related to sale of power to the Company amounting to Rupees 8,000 million on technical grounds. The ultimate outcome of matter cannot presently be determined, and consequently, no adjustments for such disputes has been made in these financial statements.

17.9 The Company has disputed late payment interest with Chashma II amounting to Rupees 1.7 billion on the grounds that no PPA has been signed and executed between them. The impact of the dispute on these financial statements cannot be determined in the absence of PPA.

17.10 DISCOs have disputed certain invoices on account of sale of energy and 13th invoice amounting to Rupees 0.534 billion (2016: Rupees 0.534 billion). The ultimate outcome of the matters cannot presently be determined, and consequently, no adjustment for such disputes have been made in these financial statements.

17.11 The Company has a long pending dispute with JPGL on various issues excavating from the application of PPA with JPGL. In view of the disputes, JPGL filed a request for arbitration in the International Court of Arbitration (ICA) on 12 January 2009 claiming Rupees 5 billion from the Company against which the Company also submitted its counter claims for Rupees 2.4 billion.

On 07 March 2014, ICA announced its final award and declared that WAPDA is liable to pay Rupees 596 million, Rupees 50 million and Rupees 134 million for pre-award interest on additional capacity claim, NEC / indexation and interest thereon and pre-award interest under the settlement agreement claim, respectively.

Further, WAPDA is liable to pay to JPGL post-award interest at the base rate plus 2% compounded semi-annually on settlement agreement claim and additional capacity claim from 12 February 2014 onwards and on Rupees 100 million fuel advance refund from 09 July 2013 onwards all down to the date of actual payment of such mentioned claims. Furthermore, WAPDA is also liable to reimburse to JPGL Rupees 109 million on account of lawyer's fees, hearing costs and travel and accommodation costs.

On the other hand, ICA directed JPGL to pay forthwith Liquidated Damages (LDs) amounting to Rupees 778 million along with Rupees 558 million and Rupees 796 million on account of pre-award interest on LD's and fuel advance claim, respectively.

Each party was further advised to equally share cost of arbitration amounting to Rupees 108 million.

As per clause 15.3 of PPA signed and executed between the Company and JPGL, any dispute between the parties shall be finally settled through arbitration according to rules of arbitration of International Chamber of Commerce. According to PPA, the final award of ICA becomes contractual obligation of the parties. The Company has not accounted for the financial impact of the final award of ICA and has filed a petition in Civil Court Lahore pointing out certain concerns in the award, and the matter is pending adjudication.

	2017 Rupees	2016 Rupees
17.12 Commitments	Nil	Nil

18 MARKET OPERATION FEE

This represents market operation fee determined by National Electric Power Regulatory Authority (NEPRA) for the administration, maintenance and implementation of the Commercial Code, NEPRA (Market Operator Registration, Standards and Procedure) Rules, supervision of compliance by market participants and billing, collection, settlement and payments procedures. Market operator fee is charged to DISCOs in tandem to use of system charges. In previous years the Company was allowed to recover its assessed tariff from NTDCL.

	NOTE	2017 Rupees	2016 Rupees
19 OPERATING EXPENSES			
Salaries and other benefits	19.1 & 19.2	409,110,146	297,770,100
Repair and maintenance		10,540,963	740,901
Legal and professional		24,392,180	4,989,477
Auditors' remuneration		500,000	500,000
Depreciation	3.1	8,519,906	557,219
Rent		22,035,834	23,027,064
Utilities		4,409,703	1,405,094
Communication		2,008,336	6,032,945
Travelling		23,575,047	12,440,932
Vehicles' running		11,620,347	12,537,459
Miscellaneous		29,328,981	6,886,045
		546,041,443	366,887,236

19.1 This includes salaries paid to employees of NTDCL transferred to the Company on secondment under BTA.

19.2 Salaries and other benefits include provident fund contribution of Rupees 3.515 million (2016: Nil) by the Company.

20 TAXATION

The Company falls under the ambit of presumptive tax regime under section 169 of the Income Tax Ordinance, 2001. Provision for income tax is made accordingly. Further, provision against income from other sources is made under the relevant provisions of the Income Tax Ordinance, 2001. Provision for deferred income tax is not required as the Company is chargeable to tax under section 169 of the Income Tax Ordinance, 2001 and no temporary differences are expected to arise in the foreseeable future. Reconciliation of tax expense and product of accounting profit multiplied by the applicable tax rate is not required in view of presumptive taxation.

21 PROVIDENT FUND RELATED DISCLOSURES

The following information is based on the latest un-audited financial statements of the Fund:

	2017 Rupees	2016 Rupees
Size of the fund - total assets	7,069,816	-
Cost of investments made	6,104,653	-
Fair value of investments	6,104,653	-
Percentage of investments made	86%	-

21.1 The break-up of fair value of investments is as follows:

	2017		2016	
	%	Rupees	%	Rupees
Bank balances	100%	6,104,653	-	-
	100%	6,104,653	-	-

21.2 The investments of provident fund have been made in accordance with the provisions of section 218 of the Companies Act, 2017 and the rules formulated for this purpose.

22 FINANCIAL RISK MANAGEMENT

22.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Company's finance department under policies approved by the Board of Directors (the Board). The Company's finance department evaluates and hedges financial risk. The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, interest rate risk, credit risk and liquidity risk.

(a) Market risk

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies.

The Company is exposed to currency risk arising primarily with respect to the United States Dollar (USD). Currently, the Company's foreign exchange risk exposure is restricted to the amounts payable to the foreign entities. The Company's exposure to currency risk was as follows:

	2017	2016
Payable to Tavanir Iran - USD	108,756,337	98,012,899

The following significant exchange rate were applied during the year:

Rupees per US Dollar

	2017	2016
Average rate	104.46	104.01
Reporting date rate	103.78	101.37

Sensitivity analysis

If the functional currency, at reporting date, had weakened / strengthened by 5% against the USD with all other variables held constant, the impact on surplus after taxation for the year would have been Rupees 564.364 million (2016: Rupees 496.797 million) respectively higher / lower, mainly as a result of exchange gains / losses on translation of foreign exchange denominated financial instruments. Currency risk sensitivity to foreign exchange movements has been calculated on a symmetric basis. In management's opinion, the sensitivity analysis is unrepresentative of inherent currency risk as the year end exposure does not reflect the exposure during the year.

(ii) Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Company is not exposed to other price risk.

(iii) Interest rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest. The Company has no significant interest-bearing assets except for bank balances on deposit accounts.

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

	2017 Rupees	2016 Rupees
Floating rate instruments		
Financial assets		
Bank balances - deposit accounts	15,174,113,624	14,534,490,997

Cash flow sensitivity analysis for variable rate instruments

If interest rates at the year end date, fluctuate by 1% higher / lower with all other variables held constant, deficit / surplus for the year would have been Rupees 151.741 million lower / higher (2016: Rupees 145.345 million), mainly as a result of higher / lower interest income on bank balances. This analysis is prepared assuming the amounts of bank balances at reporting dates were outstanding for the whole year.

(b) **Credit risk**

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The maximum exposure to credit risk at the reporting date was as follows:

	2017 Rupees	2016 Rupees
Bank balances	15,174,113,624	14,534,490,997

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Banks	Rating			2017	2016
	Short Term	Long term	Agency	Rupees	
National Bank of Pakistan	A1+	AAA	PACRA	2,282,835,248	2,665,317,595
Allied Bank Limited	A1+	AA+	PACRA	2,055,778,412	1,601,212,526
Askari Bank Limited	A1+	AA+	PACRA	2,380,500,941	1,803,427,165
Faysal Bank Limited	A1+	AA	PACRA	216,194,424	150,415,302
Habib Bank Limited	A-1+	AAA	JCR-VIS	3,755,048,515	3,341,673,215
The Bank of Punjab	A1+	AA-	PACRA	1,123,234,776	1,003,714,880
Standard Chartered Bank (Pakistan) Limited	A1+	AAA	PACRA	35,874,198	122,214,450
Bank of Khyber	A-1	A	JCR-VIS	3	250,422,363
Punjab Provincial Cooperative Bank Limited	Not rated	Not rated	Not rated	-	43,543,267
United Bank Limited	A1+	AAA	JCR-VIS	408,836,560	771,607,012
MCB Bank Limited	A1+	AAA	PACRA	1,225,076,920	1,311,006,591
Bank Alfalah Limited	A1+	AA	PACRA	156,039,658	205,371,639
Bank Al-Habib Limited	A1+	AA+	PACRA	1,243,811,919	1,101,826,402
Citibank, N.A.	P-1	A1	Moody's	18,069,662	17,465,204
First Women Bank Limited	A2	A-	PACRA	2,262,132	10,152,856
Habib Metropolitan Bank Limited	A1+	AA+	PACRA	132,160,366	83,203,487
Meezan Bank Limited	A-1+	AA	JCR-VIS	138,389,880	51,917,043
				15,174,113,624	14,534,490,997

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counter parties on their obligations to the Company. Accordingly the credit risk is minimal.

(c) **Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Being an agent, the Company's bears no liquidity risk. The obligations towards the energy suppliers are passed on to the principals and are backed by sovereign guarantee of Government of Pakistan.

22.2 **Financial instruments by categories**

Assets as per balance sheet

	Loans and receivables	
	2017	2016
	Rupees	Rupees
Receivable from NTDCL through loan notes	42,412,168,630	42,412,168,630
Due from principals	366,172,589,273	426,870,446,450
Market operation fee receivable	94,778,780	-
Advances	33,858,437,402	10,335,508,656
Other receivables	74,038,006,295	79,223,050,496
Cash and bank balances	15,174,113,841	14,534,491,214
	531,750,094,221	573,375,665,446

Financial liabilities as per balance sheet

	Financial liabilities at amortized cost	
	2017	2016
	Rupees	Rupees
Energy and other payables	563,389,995,998	412,803,225,713

23. **RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS**

(i) **Fair value hierarchy**

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company classify its financial instruments into the following three levels. However, as at the reporting date, the Company has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

24 REMUNERATION OF CHIEF EXECUTIVE OFFICER AND DIRECTORS

The aggregate amounts charged in these financial statements in respect of remuneration including certain benefits to the Chief Executive Officer and Directors of the Company are given below:

	Chief Executive Officer	
	2017	2016
Managerial remuneration	7,272,732	2,121,213
Allowances		
House rent	3,272,724	954,545
Utilities	727,272	212,121
Medical	727,272	212,121
Meeting fee	945,000	100,000
	12,945,000	3,600,000
Number of persons	1	1

Chief Executive Officer is provided with the Company's maintained vehicle.

The aggregate amount charged in these financial statements in respect of meeting fee paid to directors is Rupees 5,995,000 (2016: 1,070,000).

No remuneration except meeting fee, was paid to non-executive directors of the Company.

25 TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of WAPDA, government owned distribution companies (DISCOs), GENCOs, directors of the Company and key management personnel. Detail of transactions with related parties other than those which have been specifically disclosed elsewhere in these financial statements are as follows:

	2017 Rupees	2016 Rupees
Remuneration of key management personnel	31,845,790	8,887,500

26 NUMBER OF EMPLOYEES

	2017	2016
Number of employees as on June 30	49	6
Average number of employees during the year	28	3

27 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized by the Board of Directors of the Company for issue on ______________________.

28 CORRESPONDING FIGURES

No significant reclassification / rearrangements have been made during the year except for tariff rationalization surcharge amounting to Rupees 5.316 billion reclassified from energy and other payables to due from principals and advance from TESCO amounting to Rupees 151.557 billion reclassified from due from principals to advances from DISCOs for better presentation.

29 GENERAL

Figures have been rounded off to the nearest of Rupees.

CHIEF EXECUTIVE

DIRECTOR